Homebuyer Handbook

Virginia Housing Development Authority

This educational guide has been prepared by the Virginia Housing Development Authority (VHDA) and, with great appreciation, those recognized below.

U.S. Department of
Housing and Urban Development

Virginia Fair Housing Office
Richmond, Virginia

Virginia Cooperative Extension Service
Petersburg, Virginia

VHDA®

VHDA is a self-supporting, not-for-profit organization created by the Commonwealth of Virginia in 1972, to help Virginians attain quality, affordable housing. VHDA provides mortgages, primarily for first-time homebuyers and developers of quality rental housing. We use no state taxpayer dollars, but raise money in the capital markets to fund our loans. We also teach free homeownership classes, and help people with disabilities and the elderly make their homes more livable. VHDA works with lenders, developers, local governments, community service organizations and others to help put quality housing within the reach of every Virginian.

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Note glossary terms will be highlighted in grey italics with an underline.

Welcome

Homebuyer Education

INTRODUCTION

A home represents stability and safety. It holds dreams and hopes for the future, and provides a sanctuary that's all your own. So, how do you know if you're ready to be a homeowner? Knowledge and good planning are the keys to making your first-time homebuying experience successful. You'll need to understand the basic ins and outs of the purchasing process, and the financial responsibilities that come with homeownership. The more you know, the more successful you'll be. By the time you finish this book, you'll be able to make an informed decision about when — and if — buying a home is the right choice for you.

Steps to Homeownership

1

Attend VHDA's free Homeownership class.
This class, taught by industry experts, will cover the entire homebuying process, the responsibilities of owning a home, personal finances and credit, working with a lender and real estate professional, completing the loan process, the home inspection, and ways to protect your investment. The eight-hour class is offered at a variety of times and locations, and is also available online at vhda.com. Classes are taught in English, Spanish and other languages. Completion of this class is required of all borrowers in order to become eligible for all VHDA loan programs. To learn more, visit vhda.com or call 877-VHDA-123.

Note: Anyone can take VHDA's free Homebuyer Class, but the class is required if you're applying for a VHDA home loan. If you're buying a house with your spouse or another person who will legally share the financial responsibility for making mortgage payments, then each of you must take the class and provide copies of your completion certificates prior to loan closing.

2

Find a VHDA-approved lender and get pre-approved for your price range.
Before you start shopping, you'll need to know what you can afford. A VHDA-approved lender can tell you in advance what the maximum home price is they can finance for you. To find a VHDA-approved lender, just visit vhda.com and click on "Find A Lender" or call 877-VHDA-123. All VHDA-approved lenders offer the same low interest rates and can provide information about all of our loans.

Pre-approval is based on information you provide and is subject to review at the time of the mortgage application.

3 **Choose a real estate professional to help with your home search.**
When you meet with your real estate agent for the first time, tell them your price range and the kind of home you're looking for. They will locate homes on the market that meet your criteria, and take you on a tour of them. When you find the right home, your agent will help you prepare an offer to buy it. The seller will either accept your offer, reject it or make a counteroffer.

4 **Finalize your mortgage application with your pre-selected lender.**
Your VHDA-approved lender will ask you for additional information and documentation needed to authorize your loan. The approval of the loan is contingent on this information as well as the results of the property appraisal. During this phase, you will shop for ***homeowners insurance***, choose an attorney or closing agent, and schedule utilities to be connected. Surveys and home inspections will be completed and you will do a final "walk-through" inspection of the property before closing.

5 **Attend the loan closing with your attorney or closing agent.**
This is the official signing of the papers that finalizes the deal. Each page will be explained to you before you sign. You will provide your down payment (if applicable), and receive the keys to your new home!

Personal Finance 1

Buying a home may be the largest transaction you'll ever make — and being a homeowner is a major financial responsibility. So, how do you know if you're ready? The key is good planning. By developing a solid financial plan to guide you now and into the future, you'll be able to make an informed decision about when — and if — homeownership is the right choice for you.

In this chapter, you'll learn how to create your own personal Savings and Spending Plan, manage your debt and find additional community resources that can help as you navigate the homebuying process.

The Pros and Cons of Homeownership

There are financial advantages and disadvantages to owning a home. On the upside, homeownership may offer you:

- **Sound Investment.** A part of each monthly mortgage payment reduces your loan balance and builds ***equity***. Equity is the difference between the value of your home and the amount you still owe on your mortgage. In future years, you might use your home's equity to start a business, pay for college tuition or finance a remodeling project.
- **Tax Benefits.** The interest paid on your mortgage loan is tax deductible.
- **Stable Housing Cost.** When you have a ***fixed-interest loan***, the principal and interest payments remain the same for the life of your loan.
- **Pride of Ownership.** Having a place to call your own where you can settle down and become part of the community can improve your quality of life, and set an example for your children.

However, homeownership isn't the right financial choice for everyone. Recognizing some of the disadvantages of homeownership early in the process can help you avoid potential pitfalls. Some disadvantages of owning a home instead of renting include:

- **Higher housing costs.** Even if your new mortgage payment is exactly the same amount as you were paying for rent, there are many other costs associated with homeownership, including exterior and interior maintenance, additional utilities, insurance and property taxes.
- **Decreased mobility.** It's not as easy to move as it is in a rental arrangement. Advance planning is crucial, and selling a house may take several months, if not longer. Even if you decide to rent out your home, you'll still be responsible for all mortgage payments, as well as the condition of the house.
- **Potential foreclosure.** ***Foreclosure*** is the legal process that occurs when a homeowner is unable to make their mortgage payments, and the property must be repossessed by the lender. Having a solid financial plan that includes saving for financial emergencies may help you avoid foreclosure.

Why Create a Spending Plan?

Developing a Spending Plan that accurately reflects your current financial situation is a big part of ensuring your financial success as a homeowner. Many people avoid creating a detailed plan for their finances for a variety of reasons. Some find it stressful, others feel restricted, and many who do create one try to do it from memory. Whatever the reason, avoiding the issue of planning now is certain to cause you problems later.

A Spending Plan consists of two parts: income and expenses. All regular monthly income from documented sources — such as paychecks — should be included. (Don't include irregular income such as lottery winnings or gifts.)

There are three types of expenses:

- **Fixed expenses** are those that are regular and expected, such as rent, child care and utilities.
- **Flexible expenses** are those that are more discretionary, such as groceries, clothing and entertainment.
- **Debt includes** credit obligations paid on a monthly basis, typically credit cards or vehicle loans.

FORM

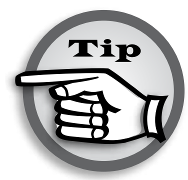
Create your own Spending Plan! *Turn the page for a Household Monthly Spending Plan that will help you determine your expenses now — and what they might be later, with a house.*

Let's Get Started!

1. Fill in the "Now" column on the form on the facing page. You may know the exact amount you spend for rent, utilities and insurance. But do you remember how much you spent last month on miscellaneous items such as fast food, vending machines or gas? After totaling your expenses and subtracting them from your income, does the form show you have money that you know you don't have left over each month? If so, don't worry. You're not alone. Most of us can't accurately remember where all our money goes each month unless we've kept a written record.

2. Track every penny you spend for a set period of time — one or two months — so you can see where your money is going. Even change spent in the vending machine for a soda or at the convenience store for coffee should be written down.

A small notebook that fits in your purse or pocket is a great tool for tracking your expenses. A business-sized envelope works great for saving receipts.



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3. Now that you have a detailed picture of how you're spending your money, you've got the power to make adjustments. You may decide to:

- Allocate a specific amount for miscellaneous spending (clothing, dining out) in your plan.
- Reduce the amount you spend on a particular habit/activity.
- Eliminate the expense.

Whatever you do, make sure you develop a realistic Spending Plan that accurately reflects both your income and your expenses. Remember, you're creating your "road map" that will ultimately lead you "home."

Household Monthly Spending Plan

Additional copies of the Household Monthly Spending Plan can be found at the end of this chapter.

Indicate # of people in household:
Adults ________ Children ________

NET MONTHLY INCOME	NOW	W/HOUSE
Source 1	______	______
Source 2	______	______
Other Income	______	______
Total Income [A]	______	______

FIXED EXPENSES	NOW	W/HOUSE
Rent/Mortgage	______	______
Electric	______	______
Gas/Oil	______	______
Water/Sewer	______	______
Home Phone	______	______
Cell Phone	______	______
Internet Service	______	______
Trash Pickup	______	______
Cable	______	______
Medical Insurance	______	______
Auto Insurance	______	______
Life Insurance	______	______
Renters Insurance	______	______
Child Support/Alimony	______	______
Child Care	______	______
Homeowners Assoc. Fees	______	______
Other	______	______
Total Fixed [B]	______	______

DEBT PAYMENTS	NOW	W/HOUSE
Installment Loans	______	______
Automobile Loan	______	______
Credit Card Payments	______	______
Total Debt [C]	______	______

FLEXIBLE EXPENSES	NOW	W/HOUSE
Savings	______	______
Groceries	______	______
Lunch (work/school)	______	______
Eating Out	______	______
Entertainment/Hobbies	______	______
Laundry/Drycleaning	______	______
Cleaning Supplies	______	______
Clothing	______	______
Gasoline/Bus/Taxi	______	______
Newspaper/Magazines	______	______
Alcohol/Cigarettes	______	______
Church/Charity	______	______
Tuition/Books	______	______
Barber/Beauty Shop	______	______
Auto Maintenance	______	______
House Maintenance	______	______
Doctor/Dentist	______	______
Pets	______	______
Parking/Tolls	______	______
Lottery/Bingo	______	______
Lawn Care	______	______
Maintenance/Repairs	______	______
Other	______	______
Total Flexible [D]	______	______

EXPENSES	NOW	W/HOUSE
FIXED [B]	______	______
DEBT [C]	______	______
FLEXIBLE [D]	______	______
TOTAL EXPENSES [E]	______	______

Subtract Expenses from Income (A - E):

TOTAL INCOME (A)	______	______
TOTAL EXPENSES (E)	______	______
DIFFERENCE + or -	______	______

Note: If you have accounted for all your expenses, including savings, your difference should be **$0.00**.
If you come up with a positive number, you may want to consider allocating the extra money toward your debt and/or savings.
If you come up with a negative number, you are spending more than you make. Review the budget thoroughly to examine where you can trim your expenses.

Applicant Signature ______________________________

Applicant Signature ______________________________

CERTIFICATION: I hereby certify that I have reviewed the above budget with the applicant(s) and concur that it is reasonable.

Lender or Counselor Signature: ______________________________

Estimate Your "With House" Expenses

Now that you've filled in all blanks in the "Now" column on your Spending Plan, you can see what your recurring monthly expenses are. This will help you determine what additional expenses you may be able to handle if you decide to buy a home. So, let's begin to fill in the blanks in the "**With House**" column.

Obviously, you can only estimate what your "With House" expenses will be, so don't worry if you aren't completely sure about the numbers. Even though the exact figures may not be available, you can begin to assess some of the additional expenses you are likely to incur as a homeowner.

For example, if you've already talked with a mortgage lender, you can use the house payment figure they provided as a starting point for your housing cost. (Ultimately, you may not be comfortable paying the amount the lender approved you for, and you'll learn more about determining your comfort level in the following section.)

If you haven't met with a lender yet, you can estimate the amount of house payment you may qualify for, by using the prequalification worksheet included on page 51 Chapter 3, "Working With the Lender."

If you haven't started looking at houses yet, you may not be able to fill in some of the other blanks in the "With House" column, such as utilities, homeowners association fees, etc. You can fill these in later as that information becomes available.

The purpose of beginning the "With House" Spending Plan is to get you thinking about some of the additional costs — in addition to the mortgage payment — that you may be responsible for as a homeowner, such as:

- Water/sewage
- Trash pickup
- Lawn care
- Maintenance/repairs
- Homeowners association fees

Why Develop a Savings Strategy?

If you experience a loss of income, such as a reduction in pay, having some cash available to pay monthly bills is extremely important. Remember, you never want to face foreclosure. Having money in an emergency savings account is a critical part of managing your personal finances.

Developing the habit of saving takes time and persistence. Financial experts recommend you keep a separate savings account with enough funds to cover three to six months of living expenses. This money is your safety net for unforeseen expenses. Make a decision to "pay yourself first" by committing to save a certain amount or percentage of your monthly income in your designated emergency savings account on a regular basis.

Remember not to mix your "emergency" funds with other money you might be saving for goals such as down payment and/or closing costs. Make sure you have a separate account for these expenses so you don't accidentally use the money for something other than what you originally planned to spend it on.

If possible, consider using direct deposit through your employer, which may help reduce the temptation to stray from your plan.

Matched Savings Programs may be available to help eligible first-time homebuyers save for a down payment, pay for college tuition or start a business by providing matching funds. Check with your local housing counselor for specific program availability and eligibility requirements in your area.

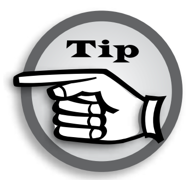
First-time Homebuyer Savings Plan
A First-time Homebuyer Savings Plan allows any Virginian to set aside up to $50,000 toward the costs of closing on a new home. The earnings on those funds, interest and capital gains, are free from Virginia state taxes. First-time Homebuyer Savings Plans are designed for future homeowners to start saving early for the costs of buying a home. To find out more visit http://www.varealtor.com/FHSP#overview and check out the Frequently Asked questions at the end of this chapter.

How to Determine Your Debt Comfort Level

When creating a workable Spending Plan that suits your lifestyle and particular situation, it's important to identify and understand what your comfort level is for a house payment. When you talk to a mortgage lender to get pre-approved (***pre-approval*** is covered in Chapter 3, "Working With the Lender"), they will determine how much they will loan you based on your debts and income.

Because the lender doesn't consider all your expenses, it's up to you to decide if the pre-approval amount is appropriate for your situation. For example, let's say the lender approved you for a maximum house payment of $1,000, but when you figure that amount into the "With House" column of your Spending Plan, you find you don't have enough income to cover your other expenses. Maybe in your Spending Plan, the maximum house payment that you would feel comfortable with is only $900. It is much better to know what your comfort level is before you sign a mortgage loan agreement, rather than having to struggle later with a payment that is too high.

Try this simple experiment to see if you are really comfortable with your potential mortgage payment: Subtract your current housing payment from your proposed mortgage payment (either from the prequalification sheet or from a mortgage lender) and try to save the difference for three months.



Example:

Jon currently pays $700 a month for rent. He's been qualified for a $1,000 monthly mortgage payment.

$1,000 - $700 = $300 (amount to be saved)

During his three-month experiment, Jon will feel as if he's making a $1,000 house payment, even though $300 of it is being set aside in a savings account.

This experiment will give you a good idea of whether or not you would feel comfortable with a higher payment. If you find you don't miss the extra money you're putting into the savings account and haven't had to withdraw any of it to cover expenses, then the proposed mortgage payment might be reasonable for you. However, if you find you need to withdraw even small amounts of the saved money for unexpected expenses, then you should consider a lesser amount for a future mortgage payment.

Don't Buy Anything on Credit Before Closing

As you begin to look at potential properties, you may feel tempted to buy things for your new home. Although you may want more or new furniture, making large credit purchases before closing on your mortgage loan can be disastrous.

Purchases made on credit, even those that have terms such as "one year, no payments or no interest," will affect your credit score and debt-to-income ratio (which determines how much house the lender feels you can afford). It's possible to throw off your score and/or ratios enough to be denied the loan. You'll then find yourself with new furniture, appliances or other purchases and no home to put them in.

In addition, most lenders are required to track or review your credit behavior after you've been approved for a mortgage but haven't yet gone to closing. If new credit inquiries appear on your credit report prior to closing, lenders must check them out to determine whether any new debt might require a re-***underwriting*** of the originally quoted terms.

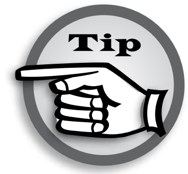
It's also very important to avoid making any major purchases for the first six to 12 months after buying your home. You — and your Spending Plan — will need some time to adjust to your new home and the expenses associated with it. You should avoid making major purchases until you have become accustomed to your new expenses as a homeowner. It may take several months before you truly know what your average utility bills will be, and there may be some expenses that don't need to be paid every month.

Beware of Junk Mail

If you thought you were receiving a lot of junk mail before, get ready! As a new homeowner you'll probably find multiple solicitations in your mailbox daily from companies wanting to give you a loan for one thing or another.

Beware of the automatic loan checks you, as a new homeowner, may begin to receive in the mail. Companies will tempt you with an actual check that you simply endorse and cash. By signing the check, you create a debt, which may have a very high interest rate or other detrimental terms. It's very easy to become overextended with debt, so careful planning and caution are crucial.

Pay attention when throwing away what appears to be junk mail from companies you have credit accounts with.



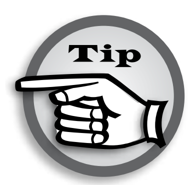
Periodically, your creditors are required to send you Privacy Act notifications, along with instructions for "opting out" of having your ***non-public information*** shared with other businesses. Sometimes the creditor will provide a telephone number you may call, or may have a form that you sign and return, which directs them not to share your non-public information.

How to Manage and Reduce Your Debt

Anyone can become overextended with debt/credit. The average American adult carries at least one credit card with a balance and is likely paying only the minimum required payment.

Excessive debt/credit can cause difficulties when applying for a mortgage loan. Although credit card interest rates vary, typically a hefty portion of a monthly payment is applied to the finance charge, leaving only a small amount to actually reduce the balance. This can become very frustrating, especially if you have been told by a housing counselor or lender that you need to reduce your debt to be able to qualify for a mortgage loan. Because the credit card industry has become so competitive, companies will often attempt to lure customers with the promise of a lower interest rate.

If you have a credit card with a balance and are making your payments on time every month, call your credit card company and ask that they give you a lower rate. Rather than lose your business to another credit card company, your creditor may oblige. You may be surprised at how successful you are in doing this. Negotiating with a credit union will probably be the exception, because it may already offer a lower rate than other companies and may be unwilling to bargain.



In addition to reducing the amount of finance charge you pay each month, another way to accelerate your debt payoff is to make "Power Payments."

How Power Payments work: Apply an extra amount of money monthly to one of your debts and watch how quickly the balance drops. You do not have to apply large amounts of money to see the results; even $5 or $10 per month makes a big difference.

Example:

Jane has a credit card with a $1,000 balance and her minimum monthly payment is $20. If Jane makes her minimum payment each month and never uses the card again, her debt will be paid off in seven years. Jane doesn't want to make payments for that long, so she decides to apply $10 more each month to her debt. Now Jane is making a $30 monthly payment and her debt will be paid off in just three years! By sending just an extra $10 per month, she will be able to pay off her debt in less than half the time.

The tremendous impact of making Power Payments is even more evident when there is more than one debt to be paid off. Although it takes some discipline, you can dramatically accelerate your debt payoff if you commit to this process. After you have paid off your first debt, apply the monthly payment that you were making to the next debt, rather than spending it. In the example above, Jane pays off her $1,000 credit card balance and applies the $30 payment to her next debt. By doing this with each debt, Jane will be compounding the amount of money that is applied to her debts and will pay each one off much faster.

Power Payments can also help you pay off installment debt (a debt that has a specific payment amount for a specific number of months). If your payment is paid earlier than the due date, you'll pay back less interest because the debt will be paid in full before the due date. If you increase the payment and pay a few days before the monthly payment is due, you could pay off as much as six to 12 months early.

Visit powerpay.org. This site, a free resource created by the Utah Cooperative Extension System, provides tools to evaluate your debt and help you strategically use the Power Pay system on your own. The website also provides resources to help with your spending and savings plans.

You Are On Your Way

In this chapter, you've learned about:

- Creating a workable Spending Plan for your household.
- Becoming aware of where you spend money (especially cash).
- Keeping your spending to a minimum.
- Reducing your debts.

Yes, it's a lot to take on, but you can do it! Remember, there are Housing and Credit Counselors in your community ready to help you work through your financial issues. ***Certified Housing Counselors*** can help you:

- Create your Spending Plan.
- Resolve credit issues.
- Formulate an action plan.

Many organizations offer counseling at no charge. You may find their services invaluable as you prepare yourself financially for homeownership.

The Department of Housing and Urban Development (HUD) has a website that lists HUD-approved housing counseling agencies by state. You can visit their website at hud.gov to locate an agency near you or call them toll free at 1-800-569-4287. Often, these agencies also provide assistance and guidance after you have purchased your home.

The Virginia Association of Housing Counselors is another resource to find Certified Housing Counselors throughout the Commonwealth. Visit their website at virginiahousingcounselors.org.

Personal Finance Quiz

True or False Questions (Answers found on page 18.)

1. Consumers will periodically receive Privacy Act notices in the mail that allow them to "opt out" of having their non-public information shared with other companies.

   ❑ True ❑ False

2. Creating a workable Spending Plan is not a necessary step in the homeownership process.

   ❑ True ❑ False

3. For most people, owning a home will mean higher housing costs.

   ❑ True ❑ False

4. Homebuyers who default on their mortgage loan may face the possibility of foreclosure.

   ❑ True ❑ False

5. It is important to determine what your "comfort level" is for a house payment at the beginning of the homebuying process.

   ❑ True ❑ False

6. It is not necessary to keep records of all of our expenses as long as we remember to pay our bills on time.

   ❑ True ❑ False

7. It should not cost you any money to speak with a Housing/Financial Counselor to assist you in preparing a Spending Plan.

   ❑ True ❑ False

8. Equity is the difference between what you owe on your mortgage loan and the value of your house.

   ❑ True ❑ False

9. New homeowners should wait six to 12 months after moving into their home before making any large purchases.

   ❑ True ❑ False

10. Power Payments can accelerate debt being paid off.

❑ True ❑ False

11. Taking advantage of an automatic loan check that may come to a new homeowner in the mail will create a loan that may have a high interest rate and other detrimental terms.

❑ True ❑ False

12. The Spending Plan accounts for fixed expenses only.

❑ True ❑ False

Multiple Choice Questions (Answers found below.)

13. It is suggested that people have _____ months of basic living expenses in an emergency savings account.

❑ 1 ❑ 3 to 6 ❑ 10 to 12 ❑ None of these

14. Advantages of home ownership include:

❑ generally a sound investment ❑ potential tax benefit
❑ stable housing cost ❑ all of these

15. Disadvantages of home ownership include:

❑ higher housing cost ❑ higher maintenance expenses
❑ decreased mobility ❑ all of these

Answers to the Personal Finance Quiz

True or False

1. True

2. False

3. True

4. True

5. True

6. False

7. True

8. True

9. True

10. True

11. True

12. False

Multiple Choice

13. 3-6 months

14. All of these

15. All of these

Forms Discussed in this Chapter

- Extra copies of the Household Monthly Spending Plan
- VAR First-Time Homebuyer Savings Plan

Household Monthly Spending Plan

Indicate # of people in household:
Adults ________ Children _________

NET MONTHLY INCOME	NOW	W/HOUSE
Source 1		
Source 2		
Other Income		
Total Income [A]		

FIXED EXPENSES	NOW	W/HOUSE
Rent/Mortgage		
Electric		
Gas/Oil		
Water/Sewer		
Home Phone		
Cell Phone		
Internet Service		
Trash Pickup		
Cable		
Medical Insurance		
Auto Insurance		
Life Insurance		
Renters Insurance		
Child Support/Alimony		
Child Care		
Homeowners Assoc. Fees		
Other		
Total Fixed [B]		

DEBT PAYMENTS	NOW	W/HOUSE
Installment Loans		
Automobile Loan		
Credit Card Payments		
Total Debt [C]		

FLEXIBLE EXPENSES	NOW	W/HOUSE
Savings		
Groceries		
Lunch (work/school)		
Eating Out		
Entertainment/Hobbies		
Laundry/Drycleaning		
Cleaning Supplies		
Clothing		
Gasoline/Bus/Taxi		
Newspaper/Magazines		
Alcohol/Cigarettes		
Church/Charity		
Tuition/Books		
Barber/Beauty Shop		
Auto Maintenance		
House Maintenance		
Doctor/Dentist		
Pets		
Parking/Tolls		
Lottery/Bingo		
Lawn Care		
Maintenance/Repairs		
Other		
Total Flexible [D]		

EXPENSES	NOW	W/HOUSE
FIXED [B]		
DEBT [C]		
FLEXIBLE [D]		
TOTAL EXPENSES [E]		

Subtract Expenses from Income (A - E):

TOTAL INCOME (A)		
TOTAL EXPENSES (E)		
DIFFERENCE + or -		

Note: If you have accounted for all your expenses, including savings, your difference should be **$0.00**.
If you come up with a positive number, you may want to consider allocating the extra money toward your debt and/or savings.
If you come up with a negative number, you are spending more than you make. Review the budget thoroughly to examine where you can trim your expenses.

Applicant Signature ______________________________

Applicant Signature ______________________________

CERTIFICATION: I hereby certify that I have reviewed the above budget with the applicant(s) and concur that it is reasonable.

Lender or Counselor Signature: ______________________________

Household Monthly Spending Plan

Indicate # of people in household:
Adults ________ Children _________

NET MONTHLY INCOME	NOW	W/HOUSE
Source 1	________	________
Source 2	________	________
Other Income	________	________
Total Income [A]	________	________

FIXED EXPENSES	NOW	W/HOUSE
Rent/Mortgage	________	________
Electric	________	________
Gas/Oil	________	________
Water/Sewer	________	________
Home Phone	________	________
Cell Phone	________	________
Internet Service	________	________
Trash Pickup	________	________
Cable	________	________
Medical Insurance	________	________
Auto Insurance	________	________
Life Insurance	________	________
Renters Insurance	________	________
Child Support/Alimony	________	________
Child Care	________	________
Homeowners Assoc. Fees	________	________
Other	________	________
Total Fixed [B]	________	________

DEBT PAYMENTS	NOW	W/HOUSE
Installment Loans	________	________
Automobile Loan	________	________
Credit Card Payments	________	________
Total Debt [C]	________	________

FLEXIBLE EXPENSES	NOW	W/HOUSE
Savings	________	________
Groceries	________	________
Lunch (work/school)	________	________
Eating Out	________	________
Entertainment/Hobbies	________	________
Laundry/Drycleaning	________	________
Cleaning Supplies	________	________
Clothing	________	________
Gasoline/Bus/Taxi	________	________
Newspaper/Magazines	________	________
Alcohol/Cigarettes	________	________
Church/Charity	________	________
Tuition/Books	________	________
Barber/Beauty Shop	________	________
Auto Maintenance	________	________
House Maintenance	________	________
Doctor/Dentist	________	________
Pets	________	________
Parking/Tolls	________	________
Lottery/Bingo	________	________
Lawn Care	________	________
Maintenance/Repairs	________	________
Other	________	________
Total Flexible [D]	________	________

EXPENSES	NOW	W/HOUSE
FIXED [B]	________	________
DEBT [C]	________	________
FLEXIBLE [D]	________	________
TOTAL EXPENSES [E]	________	________

Subtract Expenses from Income (A - E):

TOTAL INCOME (A)	________	________
TOTAL EXPENSES (E)	________	________
DIFFERENCE + or -	________	________

Note: If you have accounted for all your expenses, including savings, your difference should be **$0.00**.
If you come up with a positive number, you may want to consider allocating the extra money toward your debt and/or savings.
If you come up with a negative number, you are spending more than you make. Review the budget thoroughly to examine where you can trim your expenses.

Applicant Signature ________________________________

Applicant Signature ________________________________

CERTIFICATION: I hereby certify that I have reviewed the above budget with the applicant(s) and concur that it is reasonable.

Lender or Counselor Signature: ________________________________

Virginia Association of REALTORS®

First-Time Homebuyer Savings Plans

A First-time Homebuyer Savings Plan allows any Virginian to set aside up to $50,000 toward the costs of closing on a new home. The earnings on those funds — interest and capital gains — are free from Virginia state taxes forever.

FHSPs are a great way for future homeowners to start saving early for the costs of buying a home.

These accounts are simple and easy to set up. Not only can you open a new one, you can also designate almost any existing account as an FHSP. To create an FHSP, you simply include a form when you file your state taxes. (It will indicate that you should not be taxed on any earnings — e.g., interest or capital gains — because of the account's FHSP status.)

After you use the money toward the closing costs on a first home (yours or someone else's — see below), you send in a different form to the Department of Taxation showing that the funds were put toward an "eligible cost."

Q: What kinds of accounts can be FHSPs?

A: Almost any account you have with a financial institution: mutual funds, CDs, brokerage (stocks, bonds, etc.), money markets, insurance, even a savings account. FHSPs can also include individual stocks.

Q: How much can I put in a FHSP account?

A: You can contribute up to a total of $50,000 in principal, and the account can grow in value up to $150,000. You can put that $50,000 in all at once, or you can contribute over the years. There is no limit on how long the account can exist.

Q: What can I use the money for?

A: A FHSP account can be used to pay for just about anything related to closing on a home — anything included on the settlement statement: closing costs, inspections, lender fees, etc. These are all considered "eligible costs."

Q: What is considered a first-time home buyer?

A: A first-time buyer is: Someone who has never purchased a home before. That includes single-family homes, condos, coops, townhouses, or mobile homes. (It does not include land or commercial property.)

If you owned a home at some point but did not *purchase* one — e.g., if you inherited — you can still qualify.

Q: Can I use the money to pay for someone else's closing costs?

A: Yes. As long as the person you're giving the money to (e.g., child, grandchild, niece, and even a close friend) is a first-time homebuyer.

Q: Can I use my FHSP funds if I'm buying a home with someone who is not a first-time buyer (e.g., a spouse who once bought a home)?

A: Yes, as long as you qualify as a first-time buyer.

Q: What if I move out of Virginia?

A: Eligible costs only apply to a first time home purchase in Virginia.

Q: What if I die?

A: The account would be handled like any other part of your estate, but the beneficiary of the account would not have to pay taxes on the assets in the account. This is sometimes referred to as a "stepped-up basis," which generally happens when a person dies and real estate transfers to his heirs.

Scenarios

There are lots of scenarios or "use cases" where a FHSP makes sense. Here are several simple scenarios:

Funding for a child

Phillip and Leigh put $10,000 into a mutual fund that they will use to help their son buy his first home. The money grows over the years. When their son is 26, he decides to buy a home. They sell the shares in the fund — now worth $18,500 — and give it to their son to help with his down payment.

Normally they would pay state tax on the $8,500 in earnings, but they file a FHSP form with their Virginia taxes and don't have to pay a cent in state taxes.

Taxes on the interest

Alfonzo and Patricia take $1,000 they received as a wedding gift and open a money market account at their bank. They plan to use it towards the closing costs of their first home. Over the next several years they add money when they can, eventually using it towards their closing costs when they buy their first home.

Each year, Alfonzo and Patricia filed their Virginia taxes, they claimed FHSP status as part of their state tax returns, so they are exempt from state tax for all the earnings on that account so long as they use the funds for an "eligible cost".

Changing your mind

Emma decides to start putting money away for a first home when she graduates college. She opens a high-yield savings account with a few hundred dollars and adds to it when she can over the next 12 years. The account grows.

Each year, Emma files an FHSP form with the Department of Taxation so she doesn't have to pay Virginia tax on the interest she's earned.

Then Emma marries Sam, and Sam already owns a house. She won't need the money after all. They decide to use it for a vacation instead.

Because Emma used the money for a "non-eligible" purpose — the vacation — Emma must now pay the back taxes on the 12 years of earnings on the account, as well as a five percent penalty on the amount of the earnings over that 12-year period.

Credit Reporting 2

Good credit is important. Like it or not, credit is a significant part of our lives. Anything that has to do with loans, credit or savings becomes a part of your financial history — so it's important to use credit wisely. Your credit score can make it easier, or more difficult, to get approval for a mortgage, car loan or credit card. It can also impact things like your ability to qualify for a job or the price you're charged for insurance. Making smart financial decisions to strengthen and safeguard your credit will benefit you now and in the future.

Credit Reporting Agencies: Understanding the Big Three

Your credit history is captured in a credit report. Almost every lender uses credit reports to qualify potential borrowers. That's why anyone who has ever borrowed, or tried to borrow, money from any creditor usually has a credit history with one, if not all, of the three major credit reporting agencies.

Credit reporting agencies don't approve or deny credit, they only collect and report information. In addition, not all creditors report to any (or all) of the credit agencies, and some creditors report to only one. This typically creates three different credit reports with the three major credit reporting agencies:

- **Equifax** covers the East Coast.
- **Experian** covers the West Coast.
- **TransUnion** covers the Midwest.

Usually, both creditors and consumers have to pay to access credit reports. But there are a few exceptions. A consumer may be entitled to a free copy of their credit report if:

- Credit, employment or insurance have been denied due to information in the credit report.
- The consumer is unemployed.
- The consumer is receiving public assistance.

If you have been denied a job, insurance or credit because of a negative credit report within the past 60 days, you are entitled to receive a free credit report upon request.

Free Annual Credit Reports: What's in it for You

Under the Fair and Accurate Credit Transaction Act (FACT Act), you can ask to receive one free credit report every 12 months from each of the major credit reporting agencies.

You should take advantage of the FACT Act and view all three of your credit histories at least once a year to determine if the information reported is correct.

Note: Your ***credit score*** is not included in your credit report, but it may be purchased.

You'll need to decide whether you want to order all three credit reports at the same time. The advantage of ordering all three at the same time is that you can easily compare them; but remember, you won't be eligible for another free credit report for 12 months. On the other hand, spacing your requests out (for example, one credit report every four months) helps you keep track of any changes or new information that may appear on your credit report.

It's a good idea to space your requests out rather than requesting all three reports at the same time. That way, you can develop the habit of monitoring your credit report on a regular basis.

How Can You Request Your Credit Report?

It's easy. Choose any of the following:

- Visit www.annualcreditreport.com to see, print and download your credit report.
- Call 877-322-8228 and complete a simple verification process. You'll need to allow two to three weeks for delivery of your credit report.
- Download a request form at www.annualcreditreport.com. Print out, fill in, and mail your completed form to:

Annual Credit Report Request Service
P.O. Box 105283, Atlanta, GA 30348-5283

Credit reports are still the number one tool used by creditors to determine creditworthiness. A consumer must give written or verbal permission for their credit report to be pulled. Mortgage lenders will pull all three reports (this is known as a "tri-merge report") and typically use the middle score for your official score.

How Do You Know What Your Credit Report Says?

It can seem intimidating at first glance, but reading your credit report is really simple once you understand how it's put together.

Here's how it works.
Each credit report contains five main sections: Personal Information, Public Information, Collection Accounts, Creditor Information and Inquiry.

The Personal Information section always includes your name(s), address and Social Security number. Other information, such as an employment history and birth date may also be included.

It's important to review all information carefully to be sure it is being reported accurately.

If you have a suffix associated with your name, such as Jr., always use it when applying for credit or signing other legal documents. This simple step helps ensure positive identity and prevents potential mix-ups with the report of the person for whom you are named.

The Public Information section shows any credit-related issues processed through the court systems. This could include any of the following:

- **Judgments** on a credit report must be paid in full and noted as "satisfied." Judgments remain on a report for a minimum of seven years from the date filed. However, if the debt goes unpaid, the creditor or individual placing the judgment can re-file with the court. You can see why it is extremely important to keep good records, especially receipts for paid judgments.

If you have unpaid judgments, you can seek assistance from a Certified Housing/Credit Counselor who can help you establish a repayment plan.

- **Tax Liens,** whether federal or state, that appear on a credit report must paid in full before applying for a mortgage. A Certified Housing/Credit Counselor can help you establish a repayment plan.

- **Bankruptcy** is a legal procedure designed to protect both an individual who can't meet their financial obligations and the creditors involved.

    Chapter 7 Bankruptcy (known as a straight bankruptcy) wipes out all debt included in the discharge and stays on a credit report for 10 years from date of discharge.

    Chapter 13 Bankruptcy (known as wage earner's bankruptcy) is a reorganization of debt and stays on a credit report for seven years from date of filing. In this type of bankruptcy, the consumer lists all creditors with an attorney, who then files the paperwork with the bankruptcy court. At the time of filing, all interest stops accruing on the debt. A Trustee (attorney) is assigned by the bankruptcy court to decide what payments must be made for what period of time in order to repay the listed debt. Payments are made to the Trustee, who then sends the funds to each creditor.

- **Delinquent Child Support Payments.** If you're behind in child support that is paid to the Division of Child Support Enforcement, the delinquent amount may be reported on your credit history. If you are in arrears, you won't be able to qualify for a mortgage loan until your delinquencies have been paid in full.

It's important to retain all paperwork regarding transactions and payment history for any delinquent child support.

- **Federal Debt.** Defaulted student loans must be brought current before a mortgage loan can be obtained. Certified housing/credit counselors also can assist in setting up a payment plan for student loans. You might also consider applying for a rehabilitation loan. If you make on-time payments toward your rehabilitation loan for 12 months, the lender of the student loan must erase all negative marks on your credit reports for the defaulted student loan(s).

The Collection Accounts section lists debts that a creditor has sold to a collection agency when an account became past due. The U.S. Fair Credit Reporting Act of 1997 requires the credit reporting agency to provide specific account information including:

- The original creditor.
- Date the account was purchased.
- Amount of debt that was purchased.
- A portion of the original account number.

A collection account remains on a credit report for seven years from the **date of last activity**, which could be either the date of the account transfer or the date of the last payment.

The Creditor section includes an updated report provided each month by most creditors to one or more of the three major credit reporting agencies. Reported information may include:

- Date the account was opened.
- Date the account was last reported.
- Date of last activity.
- Number of months reviewed.
- High credit amount.
- Current balance.
- Payment.
- Terms of, or number of months remaining to repay, the debt.
- Past due balance.
- An alpha-numeric rating for the credit.

All creditor information remains on your credit report for seven years from the date of last activity.

If you notice an account that has been paid in full is still showing a balance, you should check the "date last reported" and "date of last activity" to make certain the information has been updated.

Ownership of the Account
Each creditor lists the type of ownership:

A = Authorized User. An authorized user is permitted, by the person responsible for paying the debt, to make charges on a credit account, but is not responsible for repayment.

I = Individual. Only one individual is responsible for repayment.

J = Joint. Two or more individuals are responsible for repayment. In the case of a divorce and joint credit, anyone who has signed to be responsible for payment retains that responsibility, even if a court has ordered a specific individual to pay the debt. If the court-ordered individual fails to pay as agreed, the late payment may be on the credit history for both individuals. The best thing to do is to close all joint accounts and open new credit as an individual. Sometimes, due to financial circumstances, this isn't possible. When this is the case, the individual who hasn't been court-ordered might request that a creditor notify them if a payment is late.

Alpha-numeric Rating
This rating system describes the type of credit and the way in which the obligation has been paid.

- The alpha section consists of:

  R = Revolving Credit. This is a line of credit which can be borrowed from more than once, such as a credit card.

  I = Installment. This is a loan with a specific payment for a specific period of time, such as a car loan.

  O = Open account. This is an obligation that must be paid in full every 30 days.

- The numeric section of the rating uses a number from zero (0) to nine (9):

0	Credit is too new to rate.	**5**	120+ days past due (or it is now a collection account).
1	Paying as agreed.	**6**	No longer used since creditors charge off debt at 120 days rather than 180 days.
2	30+ days past due.	**7**	Making monthly payments under wage earner plan, debt management repayment or Chapter 13 bankruptcy.
3	60+ days past due.	**8**	Repossession.
4	90+ days past due.	**9**	Account charged off (may be sold for collection).

A good credit history is important when you're being considered for a loan. That means you want your numeric credit rating to be "1" (paying as agreed) — for every account reported. When you apply for a mortgage loan, the lender reviews your credit report to verify how you've repaid your debt in the past. The way in which you've paid past obligations is believed to be an accurate indication of how you may handle future ones.

The Inquiry section lets you know that a creditor accessed your credit history and the date when this occurred. Inquiries remain on your credit history for two years. Some inquiries will have notations indicating the creditor has not viewed your credit history. These include:

- **PRM** (promotional) which means the credit reporting agency has sold your name and address to businesses to be used for marketing purposes. This is typically why you receive all those direct mail solicitations for new credit card accounts. It doesn't count as an inquiry.
- **AR** (annual review) means a current creditor has viewed your credit as part of their annual review process; however, this doesn't count as an inquiry.

Note: When an insurance company or a prospective employer views your credit history, this doesn't count as an inquiry as long as those entities use the proper coding. You'll understand the importance of keeping inquiries to a minimum when credit scoring is discussed.

Even if you've had credit problems in the past, you may still be eligible for a loan. The lender will consider the circumstances surrounding the problems, how long ago the negative credit occurred and if you've paid your obligations on time since then.

Tip

Because most lenders require at least the most recent 12-month credit history to be satisfactory, consider requesting a copy of your credit report from the credit reporting agencies before meeting with a lender.

What if Your Credit Report has Incorrect Information?

Under the Fair Credit Reporting Act of 1997, you have the right to dispute incorrect information on your credit report by requesting the credit reporting agency to investigate.

Because each credit reporting agency may have different information, you must file a separate dispute for the same error with all three agencies.

Once the credit reporting agency receives your dispute, it has 10 days to get the information to the creditor. The creditor then has approximately 30 days to respond. If the creditor can't provide documentation to the credit reporting agency that proves the reported information is valid, the disputed item will be removed from your credit report, and you'll receive notification of the action taken.

It's possible the creditor may, at a later date, be able to prove the validity of the original information, and it will be placed back on your credit history.

Be sure to keep all paperwork relating to any dispute you file with the credit reporting agencies, and never mail your original receipts or other documentation.

If the credit reporting agencies verify that their information is accurate, they will notify you. If you still believe there is an error, you can ask for another investigation. If the second investigation is not in your favor, you can ask that a 100-word explanation be inserted next to the erroneous entry on your credit report to explain your side.

Dispute forms can be obtained by phone, mail or the Internet, and the contact information for each credit reporting agency is listed below. If you need assistance preparing a dispute, please contact a local Housing/Credit Counselor.

- **Equifax Information Services, LLC**
  http://www.equifax.com/online-credit-dispute
  Mail: P.O. Box 740256, Atlanta, GA 30374
  Phone: Number listed at the top of your credit report.
- **Experian**
  Online: http://www.experian.com/disputes2
  Mail: Address listed at top your credit report.
  Phone: Toll free number listed at the top of your credit report.
- **TransUnion Consumer Solutions**
  Online: http://annualcreditreport.transunion.com/entry/disputeonline
  Mail: P.O. Box 2000, Chester, PA 19022-2000
  Phone: 800-916-8800

Unwanted Phone Calls and Junk Mail

If you'd like to reduce, if not completely eliminate, unwanted credit card and other solicitations, you have the legal right to opt out. Here's what to do.

Pre-screened mailing lists:
Use the contact information provide below to have your name removed from pre-screened mailing lists and insurance offer mailing lists provided to lenders and others by Experian, Equifax and Trans Union:

- 888-5OPT-OUT (888-567-8688)
- www.optoutpreescreen.com

You'll be given the choice to opt out for two years or permanently.
To permanently opt out, you'll need to request a Notice of Election to Opt Out Permanently form. When you receive the form, you must sign and return it, otherwise your opt out won't be activated.

Telemarketing call lists:
Thanks to the National Do Not Call Registry and Do-Not Call Improvement Act of 2007, you can stop most (but not all) telemarketing calls. You may opt out your home and/or cell phone numbers permanently. Remember, you must call from the phone number you want to be removed.

- 888-382-1222
- www.donotcall.gov

Direct mailing services lists:
You can also limit unwanted mail and phone calls you may receive that aren't related to the lists credit reporting agencies sell to lenders and other business. You may opt out for a five-year time frame for a $1 fee.

- www.dmachoice.org

What Exactly is a Credit Score?

A credit score is the number from 300 to 850 that represents the risk of lending money to you. Credit scores cannot predict, with certainty, how you or anyone will act. They do provide a quick and objective indication of how likely you are to repay on time and according to terms, based on how you've handled your credit in the past.

It is important to understand there are different credit-scoring models. Two popular models are:

- **The VantageScore**, which is what a consumer receives if they purchase a credit report and score through one of the three credit reporting agencies.
- **The FICO score** is what lenders use for a mortgage loan application because they believe it provides the best guide to future risk. The FICO score grades more than just payment delinquency. It's also influenced by things like the percentage of loan balances to loan amounts, the number of consumer finance accounts, and even the number of credit cards shown as open.

Although both models mentioned here evaluate similar information, the scores provided won't be exactly the same. This is because, as discussed earlier, not every creditor reports to an agency and not all creditors who report information do so with all three major agencies. The result is three different reports and scores for each individual. When a mortgage lender gets a tri-merged credit report, they typically use the middle score as the official score.

Currently, the great majority of mortgage lenders continue to use FICO scores. Most automated underwriting systems are built to use FICO scores, and so industry lenders, which include the Federal Housing Administration (FHA), Veteran Affairs (VA), Fannie Mae and Freddie Mac, aren't yet accepting VantageScores for mortgage applications.

How is Your Credit Score Determined?

- **35 percent is based on Payment History.** Your past 12-month history is the most important to the lender.
- **30 percent is based on Amounts Owed** and the extent to which your credit lines have been accessed. If you have several credit cards with maximum limits that have been reached or almost reached, that will have a negative impact on the credit score. It's recommended that you not exceed 30 percent of your available credit lines.
- **15 percent is based on Length of Credit History**. Ask your lender to review your credit profile before making changes that can negatively affect your credit history, such as closing unused credit card accounts or consolidating debt. These types of changes can potentially remove positive account information.
- **10 percent is based on New Credit**. Numerous inquiries for new credit can affect your credit score by making it seem that you are trying to gain additional credit. This is why it isn't wise to take advantage of store discounts in exchange for completing a credit application if all you want to do is save a few dollars on your purchases for a specific day.
- **10 percent of your score is based on Types of Credit Used**. Having a mix that includes both ***secured credit*** and ***unsecured credit*** may be beneficial.

How to Get Your Credit Score

Although you can purchase your credit score from any or each of the major credit reporting agencies, you may want to consider purchasing the score from the agency where you have spent most of your adult life, i.e., Equifax if you have lived predominantly on the East Coast.

While lenders are allowed to share your credit score and credit history with you, individual lenders have their own guidelines regarding this practice.

You can also purchase your FICO credit score from www.myfico.com.

How Credit Scores are Used by Lenders

Credit scoring simplifies the credit application process by quickly delivering reports that are easy to interpret. The higher the credit score, the lower the risk. Credit scoring makes it easier for a lender to make an objective decision based solely on credit report data. Because credit scoring does not take into account race, color, national origin, religion or marital status, it removes the likelihood for personal judgment and unfair influence.

It's difficult to say what a good credit score is, because no score says whether a specific individual will be a "good" or "bad" customer. And while most lenders use FICO scores to help them make decisions, each lending institution also decides for itself which scores are acceptable for different types of loans or credit.

There is no single "cut-off score" used by all lenders. There are many other factors that lenders use to determine the interest rate a borrower will pay. For example, a lender may decide to offer someone with lower scores a higher interest rate rather than turning them down altogether. Or, a lender might decide to provide a lower rate for someone with a higher score.

Six Ways to Improve Your Credit Score

You may want to improve your credit score now so that when it comes time to buy your first home, you can qualify for a mortgage and get a better interest rate! Here some proven ways you can do this:

1. Pay your bills on time.
2. Keep your total credit card balances to no more than 50 percent of your total debt.
3. Pay down the balances on your credit cards.
4. Don't apply for more credit.
5. Never co-sign for any financial account with a friend or relative.
6. Regularly review your credit report for errors.

Many lenders suggest you try to improve your credit score at least six months to a year prior to applying for a mortgage.

Your score will improve as you continue to handle your credit obligations responsibly. Think of a score as a snapshot of your credit risk, reflecting your risk picture at a specific point in time.

Do not pay any agency to "repair" your credit. There is nothing they can accomplish on your behalf that you can't do yourself. You can improve your credit on your own with time, assistance from a credit or housing counseling agency, better credit behavior and a focused effort on removing inaccurate information.

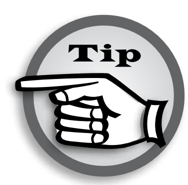
Working With Housing/Credit Counselors

If you have problems with too much debt and could use some help with managing your money, be careful. Not all housing/credit counseling organizations are non-profit. A good place to look for a reputable counseling organization is the Department of Housing and Urban Development (HUD) website. It lists HUD-approved housing counseling agencies by state. You can visit their website at www.hud.gov to locate an agency near you or call 800-569-4287 toll free.

The Virginia Association of Housing Counselors is another resource for finding Certified Housing Counselors throughout the Commonwealth. Visit their website at www.virginiahousingcounselors.org.

Many of these agencies do not charge for their services, but ask before making an appointment.

Many of these agencies also provide assistance and guidance with money management, credit and budgeting after you've bought your home. Be sure to ask.



Avoiding Identity Theft

Identity theft occurs when predators dumpster dive, "phish" or otherwise gain access to your personal information. In fact, the FBI reports that identity theft is one of the nation's fastest-growing crimes, making it very important to safeguard your personal information. Here are a few ways you can do that:

- Always protect your Social Security number.
- Don't carry rarely-used documents such as your birth certificate and Social Security card with you.
- Use a cross-cut shredder to destroy documents containing sensitive information.
- Review your credit report regularly for suspicious activity.
- Keep a list of contact information for credit issuers.
- Report lost or stolen cards immediately.
- Be aware of mail or bills that don't arrive on time or unfamiliar credit application responses.
- When mailing payments, put them directly in a U.S. postal box instead of your home mailbox.
- Install a lock on your home mailbox.
- Obtain a P.O. Box or temporarily stop delivery when you know you'll be away for longer than a weekend.
- Don't include Social Security or telephone numbers when ordering printed checks.
- Have ordered checks delivered to your bank.
- Don't use common passwords, such as birth dates, for ATM, computer and other electronic access.

What to Do if You Become a Victim

If you're a victim of identity theft, it is extremely important that you act quickly:

- Immediately contact the companies directly, and close accounts that have been tampered with or opened fraudulently.
- Report the identity theft to the appropriate law enforcement agency.
- Consider placing a ***Fraud Alert*** on your profile by contacting any of the credit reporting agencies listed below. A fraud alert can make it more difficult for someone to get credit in your name because it tells creditors to follow certain procedures to protect you. (The flip side is that the alert also may delay your ability to obtain credit.)

An initial fraud alert stays in your file for at least 90 days.

An extended alert stays in your file for seven years.

To place either of these alerts, a consumer credit reporting company will require you to provide appropriate proof of your identity, which may include your Social Security number. If you ask for an extended alert, you'll also be required to provide a copy of the identity theft report you filed with your local, state or federal law enforcement agency.

Equifax: 800-525-6285, www.equifax.com

P.O. Box 740241, Atlanta, GA 30374-0241

Experian: 1-888-EXPERIAN (397-3742), www.experian.com

P.O. Box 9554, Allen, TX 75013

TransUnion: 800-680-7289, www.transunion.com

Fraud Victim Assistance Division, P.O. Box 6790, Fullerton, CA 92834-6790

Credit Reports Quiz

True or False Questions (Answers found on page 46.)

1. A credit score takes into account how many inquiries you have on your credit report.

   ❑ True ❑ False

2. A creditor is required to report to a credit reporting agency if you have an account with them.

   ❑ True ❑ False

3. A judgment is an example of a public record item on your credit report.

   ❑ True ❑ False

4. All creditor accounts have an alpha code to indicate the type of ownership of the credit.

   ❑ True ❑ False

5. Most lenders require that the past 12 months of your credit history be satisfactory to consider you for a mortgage loan.

   ❑ True ❑ False

6. The abbreviation "PRM" listed in the inquiry section of a credit report indicates that the credit reporting agency sold your name and address to a creditor to mail you promotional material.

   ❑ True ❑ False

7. The best thing to do when incorrect information is on your credit report is to contact a credit repair company.

   ❑ True ❑ False

8. The Fair Credit Reporting Act is a federal law that governs, among other things, how collections are reported to the credit reporting agencies.

   ❑ True ❑ False

9. Your credit score is a "snapshot" of your credit risk.

   ❑ True ❑ False

Multiple Choice Questions (Answers found below.)

10. Credit inquiries remain on a credit report for:

❑ 6 months ❑ One year ❑ Two years ❑ Three years

11. Which of the following is not used to determine your credit score?

❑ Recent payment history

❑ Whether you've been shopping for credit

❑ Your gender

❑ Amount of credit you have access to and are using

12. Which of the following must be paid in order to get a mortgage loan?

❑ Judgments ❑ Collections ❑ Federal debt ❑ All of these

Answers to the Credit Report Quiz

True or False

1. True **4.** True **7.** False

2. False **5.** True **8.** True

3. True **6.** True **9.** True

Multiple Choice

10. Two years

11. Your gender

12. All of these

Working With the Lender

3

The mortgage lender (also known as the mortgage loan originator) is the one who will work with you to complete your loan application and determine how much credit you qualify for.

Working with a lender before you start looking at houses can help you set realistic expectations — about the cost of a mortgage loan and about what you'll be able to afford. You'll also find that the effort you've put into developing a realistic Spending Plan and strengthening your credit (as discussed in previous chapters) will be a big help when you begin the loan application process.

Tip

It's important to shop around for a lender to make sure you're getting the best deal and the best service, just as you would compare products and services when making any other major spending decision.

Finding a Lender

You can find lenders from many sources. Maybe a friend or someone in your family recently bought a home. Ask that person about their experiences with their lender. You can also ask your real estate agent to recommend a lender. You don't have to worry that the agent's recommendation is based on receiving a payment for the referral; since 1974 it's been illegal for real estate professionals to get kickbacks or finder fees for referrals.

You can also look for lenders on Internet mortgage loan and banking sites. VHDA's website offers a convenient Find A Lender search tool at vhda.com/FindALender. It will make your search quick and easy by providing a list of VHDA-approved lenders in your area who can personally assist you with a VHDA mortgage. You'll even be able to see which branches and individual loan officers in your area have been the most active in helping homebuyers obtain VHDA loans over the past year.

What Questions Should You Ask?

You want a lender you can trust and loan terms you'll feel comfortable with. That means you'll need to interview the lenders to compare loans, interest rates, and terms. Here are a few things you'll want to ask:

- What types of loans do you offer? Fixed rate and adjustable rate (ARM)? Other types?
- What payment schedules are available? (For example, 15-year loans or biweekly payments?)
- What is your current interest rate for a 30-year, fixed-rate loan?
- What application fees do you charge?
- Does the loan require mortgage insurance Premium or Private Mortgage Insurance
- Can you lock in the rate? If so, when is the rate locked in — at application or at approval?

Tip

Make sure to ask who you should call if you have a question. You'll find the mortgage process less stressful if you work with a lender who is service-oriented, so you might not want to choose a lender based strictly on the best deal.

Pre-qualification and Pre-approval: What's the Difference?

Although they may sound like the same thing, pre-qualification and pre-approval are very different.

Pre-qualification is an estimate of your purchasing power. It doesn't require verification of income, and can be done with a verbal statement (in person or over the phone) of your income and debt level. In fact, with the right tools, you can pre-qualify yourself. Here's how:

FORM

On the next page you'll find a "Factor Table" you can use to convert an interest rate into cost-per-thousand dollars. Take a look at the table and determine the current interest rate on a mortgage loan, as well as the term of your mortgage loan (most individuals choose 30 years).

When you have that information, fill in the "Pre-Qualification Worksheet" on page 51 and do the math. Pre–qualification will help you figure out your purchasing power, or what you can afford to spend when buying a home. You'll find this form is also helpful when used to evaluate your readiness for committing to a long-term debt.

Tip

When working with the forms on the following pages, consider how your purchasing power would change if you reduced your debt, increased your income or obtained a lower interest rate.

SAMPLE FACTOR TABLE			
Interest Rate	**15-Year Mortgage**	**20-Year Mortgage**	**30-Year Mortgage**
4.00%	$7.40	$6.06	$4.77
4.50%	$7.65	$6.33	$5.07
5.00%	$7.91	$6.60	$5.37
5.50%	$8.17	$6.88	$5.68
6.00%	$8.44	$7.16	$6.00
6.50%	$8.71	$7.46	$6.32
7.00%	$8.99	$7.75	$6.65
7.50%	$9.27	$8.06	$6.99
8.00%	$9.56	$8.36	$7.34
8.50%	$9.85	$8.68	$7.69
9.00%	$10.14	$9.00	$8.05
9.50%	$10.44	$9.32	$8.41
10.00%	$10.75	$9.65	$8.78

Pre-Qualification Worksheet

Gross Monthly Income =			**1**
Gross Monthly Income x (housing ratio; FHA=31% VA=n/a, CONV=28%)	**31%**		**2**
Gross Monthly Income x (debt to income ratio/back end ratio: FHA=43%, VA=41%, CONV = 36%	**43%**		**3**
Total Monthly Debts			**4**
Subtract line (4) from line (3)			**5**
Maximum Monthly Mortgage Payment Allowed			
Enter lesser amount from line (2) or (5)			**6**
Escrows			
Multiply line (6)	**25%**		**7**
Subtract line (7) from line (6)			**8**
Affordability			
Divide line (8) by factor *(The factor that is used depends on the loan's interest rate. See page 50.)*	**$**		**9**
Multiply line (9) by $1,000.00	**$1,000.00**		**10**

Pre-approval must come from your lender, and it is the negotiating tool you'll need when you submit your offer on a house. In order to obtain pre-approval, you must:

- Complete a mortgage loan application.
- Provide 30 days' worth of your most recent pay stubs.
- Provide two to three months of bank statement(s).
- Supply any other documentation your lender may request.

The lender will need to review your credit report, so expect to pay about $35 - $75 to cover this cost.

Once the lender has all the required information, they'll let you know your ***pre-approved loan amount***. You may find the amount you are pre-approved for is more than you want to spend. If so, you can have the lender issue a pre-approval letter for the amount you feel comfortable borrowing for a house.

Your pre-approval can be a great negotiating tool when trying to get a ratified contract to purchase a house. (You'll learn more about the contract in the next chapter.)

What Your Lender Will Need

To be prepared to answer your loan originator's questions, you'll want to have some of your personal information readily available. In addition, during your initial meeting with your loan originator you'll be given documents to sign that will authorize them to verify your income, employment and other relevant information.

At the end of this chapter, you'll find a Mortgage Application Checklist to use when gathering information for a loan application. You'll also find a sample Residential Loan Application and samples of several authorization forms you'll be asked to sign when you apply for a mortgage.

Who's Who in the Loan Approval Process

There are several people involved in getting your mortgage loan approved. You've already met the first one — the ***lender, or loan originator***. This person, usually your primary contact at the lending company, is responsible for collecting all your financial information and making sure your loan application is ready for review.

The ***loan processor*** handles the processing of the loan and is responsible for getting together all the necessary documentation for the file, such as ordering the appraisal, ordering the credit report, etc., and making sure all steps are followed.

After the loan application and all associated disclosures have been signed, the originator and processor will know what documents are required. If you're a first-time homebuyer, you'll need to supply three years' worth of income tax returns along with your W-2s. If your qualifying income includes child support, disability income, interest income or anything other than income derived from your employer, you'll be asked to provide documentation to verify that income. The loan originator will let you know what types of documentation to provide.

The loan processor is a good source for answers to questions about the status of your loan. Since the processor is the one who orders the appraisal and other items needed, they're also the one who can give an accurate estimate as to when the loan will close. This is also the person you should call for updated Good Faith Estimates (which we'll discuss later in this chapter).

The ***underwriter*** is the person who actually gives final loan approval. The underwriter reviews all the documentation in your file, paying special attention to your credit report and credit score. If the underwriter judges that, with some additional documentation, the loan can be approved, they'll make a list of exceptions and return the file to the processor.

The processor and originator will work with you to resolve the exceptions so the underwriter can sign off on the loan. At that point, your loan file goes to the lender's closing department.

What Happens Next?

Because buying a home is both a legal and a financial transaction, your next steps will include a variety of important paperwork. Be prepared to provide, review and sign a lot of documents as you work your way through the process. Here's some of what you can expect.

The Good Faith Estimate

Once an application is signed, the lender has 72 hours to provide a ***Good Faith Estimate (GFE)*** that gives you an estimate of your closing costs. The estimate should be close to what you really pay at closing, but because it is an estimate, it could be slightly different. The estimate will include costs for:

- Points
- Appraisal
- Title search
- Title insurance
- ***Survey***
- Recording fees
- Attorney fees
- Origination fee

Federal law requires only one GFE within 72 hours of signing an application. A few days before you're ready to close your loan, you can request a second, updated estimate. This estimate should include specific dollar figures so you'll know exactly how much money will be required for the loan closing.

A new GFE is automatically provided when you lock in your interest rate or if there are any changes in circumstances. Changes in circumstances may include:

- Increase in the sales price or loan amount.
- Survey requirement.
- Required repairs outlined by the appraiser.

You'll find a sample Good Faith Estimate at the end of this chapter.

The Truth in Lending Disclosure

The ***Truth in Lending Disclosure*** requires lenders to disclose the "cost" of borrowing in a standardized way, as a form of consumer protection. This disclosure document clearly states the ***Annual Percentage Rate (APR)***, which is the finance charge expressed as an annual rate. The APR includes the interest rate plus fees and is expressed as a percentage. The APR will be higher than the interest rate and is intended to make it easier for consumers to compare lenders and loan options.

You can ask the loan originator what fees associated with your loan are included in the stated APR. These can include participation fees, loan origination fees, monthly service charges and late fees. However, only the credit report fee may be charged to the consumer before receipt of the Truth in Lending Disclosure.

Federal law requires you receive the Truth-in-Lending Disclosure within three business days of signing the written loan application, and at least seven business days before your loan closing. Changes in any of the loan terms may require a Truth in Lending Re-disclosure.

If the APR calculated on the final loan terms is out of tolerance (1/8 percent variance on fixed-rate loans), you must receive a final, corrected disclosure at least three business days before your loan closing.

You'll find a sample Truth in Lending Disclosure at the end of this chapter.

The Appraisal

Before a lender loans you money to buy a property, they'll have the property appraised to determine whether its value is at least the amount of the sales price. The lender will loan the lesser of the sales price and appraisal amount to ensure that they don't lend more than the property is worth.

To establish the value of the home, the appraiser will compare the home to other similar (comparable) homes in the area, including recently sold properties. The appraiser also looks closely at the house to determine:

- Size and number of rooms.
- Type of construction.
- Condition of the property.

After reviewing the home and property and the surrounding neighborhood, the appraiser will provide a value for the home, along with supporting documentation.

An appraisal is separate and completely different from a home inspection. You'll learn more about these differences in Chapter 6, "The Home Inspection."

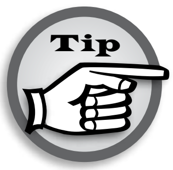
Alert

What if the Appraisal is Less Than the Sales Price?

If you're buying a house for $100,000 but the house only appraises for $98,000, either you'll have to pay the $2,000 difference or the seller will have to reduce the price. If you don't want to pay the additional $2,000 in cash, and the seller isn't willing to lower the price, you can cancel your ***sales contract*** — as long as there is a contingency in the contract stating that the house must appraise for at least the sales price.

Who Orders the Appraisal?

Usually, the lender hires the appraiser and the homebuyer pays for the appraisal through the lender. The cost of the appraisal will typically range between $350 - $450, depending on the type of loan you've selected. The appraisal is only ordered after a sales contract has been signed by both the buyer and the seller.



Ask your lender for a copy of the appraisal, in writing, at the time of your loan application. The appraisal can give you reliable information about the value of your home that may be useful in the future. You can't get a copy of the appraisal, however, until the loan closing.

Interest, Payments and Escrows

Once you've decided on the best type of loan for you, you'll want to know the interest rate available on that loan. Remember, the higher the interest rate, the higher your monthly principal and interest payments will be.

If you're worried about the interest rate going up, ***locking in*** a rate may be a good idea. Locking in a rate guarantees that rate for a certain period of time. The lender will explain your options. If you decide to lock in the rate, you'll want to:

- Get the commitment in writing.
- Be sure the rate is locked for a long enough time period for you to close on the loan.
- Ask the lender whether you have to pay a commitment fee for locking in the rate.
- Find out whether the lock includes both the rate and points.

*The interest rate may have **discount points** associated with it. Read on for a discussion of discount points and how they can affect your cost at closing.*

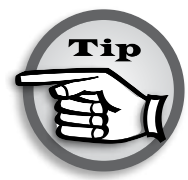
Discount Points

Discount points are upfront interest you pay as part of your closing costs in exchange for a lower interest rate. One point is equal to 1 percent of the loan amount. In some cases the seller may agree to pay points on your behalf.

Almost every mortgage loan has a one-point origination fee, used to cover the cost of processing the loan.

Although the lender will assist you with getting the best rate, the number of points you pay is ultimately up to you.

Points are usually tax-deductible in the year paid. Check with your tax advisor to see if you qualify for this deduction. Origination fees are not tax-deductible.



PITI: Principal, Interest, Taxes and Insurance

Almost every loan payment for a first mortgage will include what lenders call ***PITI*** (Principal, Interest, Taxes (real estate taxes) and Insurance).

Principal is the original balance of money lent, excluding interest. It also refers to the remaining balance of a loan.

Interest is the amount a lender charges to borrow money, expressed as a percentage.

Taxes refer to the real estate taxes assessed by the city or county.

Insurance includes homeowners/hazard insurance and any mortgage insurance. Mortgage insurance, which protects the lender against default, can have both an upfront premium and a monthly premium associated with it. The type of mortgage insurance required depends on the type of loan.

- **Conventional loans** require ***Private Mortgage Insurance (PMI)*** if the borrower is making a down payment of less than 20 percent. There can be both an upfront premium and a monthly premium associated with this type of loan.

- **FHA loans** require ***Mortgage Insurance Premium (MIP)***. This includes an upfront premium and a monthly premium. The upfront premium can be financed into the loan.
- **Rural Development** loans require a Guarantee Fee of 3.5 percent of the loan amount and can be financed.
- **VA loans** require a Funding Fee. The fee for an initial loan with no down payment is 2.15 percent for an Active Veteran and 2.4 percent for Reservist/Guard Duty. The fee for a subsequent loan with no down payment is 3.3 percent for both Active Veterans and Reservist/Guard Duty.

Example:

You have a mortgage loan of $100,000 and are using your VA eligibility for the first time. You have the option of financing the 2.15 percent (which is $2,150) or paying the fee in cash at closing. You'll need to let your loan originator know which option you prefer so your Good Faith Estimate will include the VA Funding Fee if you want to pay in cash. Most borrowers choose to finance the Funding Fee.

The following prepaid items will be included in your closing costs :

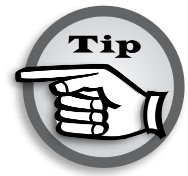
- 14 months of homeowners/hazard insurance on your new home.
- Two to four months of real estate taxes. The amount you'll need at closing for real estate taxes will depend on how often these taxes are paid in your city or county.

Escrows

An ***escrow*** is a trust account held by the lender or servicer in the borrower's name to pay the real estate taxes and homeowners/hazard insurance. After the mortgage loan is closed, your escrow account is established and funds are deposited monthly to pay your taxes and insurance.

Here's how it works: When you make your monthly mortgage payment, you're paying for principal and interest, plus taxes and insurance. The loan servicer applies part of your monthly payment to pay the principal and interest due on your mortgage loan, and also deposits a portion of your payment into your escrow account. When your taxes and insurance premiums are due (usually once or twice a year), the loan servicer will pay these bills on your behalf, using the funds in your escrow account.

You should receive an escrow account statement at least once each year. The servicer of your loan may not be the same institution that originated the loan.



If you make a down payment of 20 percent or more on a conventional loan, the escrow account may be negotiable. Ask your lender.

Even if you have a fixed-rate loan, your payment will still go up over time. Because, while your principal and interest payment will remain the same, your real estate taxes and homeowners/hazard insurance will usually increase. To have sufficient funds to pay these bills, the servicer will let you know how much to increase your monthly payment.

When You Close Makes a Difference

The first mortgage payment is always due on the first day of a month, and always includes principal, interest, taxes and insurance. Depending on what day of the month your loan closes, an adjustment will be made to your first month's interest to ensure you only pay for the number of days remaining in the month. This adjustment, to be calculated at closing, is based on the number of days between your closing date and end of the month. The adjusted amount for your first month's interest is known as ***per diem interest***. ("Per diem" means daily.)

The fewer days there are between your closing date and the end of the month, the lower your per diem interest will be. Knowing this, most homebuyers try to schedule their closing date as late in the month as possible. As a result, the end of the month is usually an extremely busy time for lenders' closing departments, as well as for the paralegals working in settlement agent and attorney offices.

To help prevent these end-of-month bottlenecks in their closing departments, many lenders now offer an interest credit to borrowers who choose to close within the first five days of a month. For example, if you close on the fifth day of the month and receive a credit for five days' worth of interest at $25 a day, that credit would add up to a savings of $125 for you on closing day.

Tip

While many lenders grant an interest credit for closing early enough in the month, most don't offer it automatically, so be prepared to ask for it.

If you close during the first five days of the month, your first payment will be due the first day of the month following your loan closing.

Example:
If your loan closing occurs within the first five days of January, your first payment will be due on February 1. (There will be no month without a house payment.)

January						
1	2	3	4	5	6	7
8	9	10	11	12	13	14
15	16	17	18	19	20	21
22	23	24	25	26	27	28
29	30	31				

February						
1	2	3	4	5	6	7
8	9	10	11	12	13	14
15	16	17	18	19	20	21
22	23	24	25	26	27	28
29	30	31				

March						
1	2	3	4	5	6	7
8	9	10	11	12	13	14
15	16	17	18	19	20	21
22	23	24	25	26	27	28
29	30	31				

If you close between the sixth and the last day of the month, you'll skip a month in house payments.

Example:
If your loan closes between January 6 and January 31, your first mortgage payment won't be due until March 1. If you're able to time your closing so you can skip a month in house payments, consider using the money you save to help pay for moving expenses, connection and disconnection of utilities, and other relocation costs.

January						
1	2	3	4	5	6	7
8	9	10	11	12	13	14
15	16	17	18	19	20	21
22	23	24	25	26	27	28
29	30	31				

February						
1	2	3	4	5	6	7
8	9	10	11	12	13	14
15	16	[illegible]	18	[illegible]	20	21
22	23	[illegible]	25	26	27	28
29	30	31				

No House Payment!

March						
1	2	3	4	5	6	7
8	9	10	11	12	13	14
15	16	17	18	19	20	21
22	23	24	25	26	27	28
29	30	31				

Tip

Examine your own circumstances to decide the best time of month for you to close. For instance, if you're in a rental situation where you're paying per day or per week once you've given notice, you may find the cost of the per diem interest is less than what you're paying in rent, in which case it may make sense for you to close earlier, rather than later, in the month.

Homeownership Made Affordable

VHDA offers a variety of home mortgage loans designed to meet the needs of today's homebuyers. Our loans provide high loan-to-value options, flexible underwriting and down payment and closing cost assistance, plus our interest rates are fixed for 30 years. All loans have maximum income and sales price limits and/or loan limits, which vary according to where the home is located. To learn more about our loan programs or find a VHDA-approved lender, visit vhda.com.

What is an Energy Efficient Mortgage?

When homebuyers are deciding whether or not they can afford a particular house, an important monthly expense is often overlooked: the cost of utilities. In fact, according to the U.S. Department of Energy, the average homeowner spends nearly $1,300 a year on utility bills. Energy-efficient homes with features such as proper insulation, high-efficiency heating and cooling systems and energy-efficient windows and ENERGY STAR®-rated appliances can lower your utility bills by 10 to 50 percent.

If your dream home has a history of high utility bills and seems unaffordable for that reason, don't give up on that house just yet. There are mortgages available that will include cost-effective energy improvements as part of the mortgage.

An ***Energy Efficient Mortgage (EEM)*** is a "green" mortgage that gives you the opportunity to finance cost-effective, energy-saving improvements as part of a single mortgage and stretch debt-to-income qualifying ratios on your loan. This enables you to qualify for a larger loan amount and a better, more energy-efficient home.

Most energy-efficient financing programs require the borrower to have their potential new home inspected for an energy rating. A rating typically involves an inspection by a professional energy rater who is certified under a nationally or state-accredited Home Energy Rating System (HERS).

Borrowers who want to qualify for an EEM must have a home inspection completed by an energy rater following qualification standards set by the U.S. Department of Energy.

Alert

For the most part, an energy rater will inspect the energy-related features of a home, such as:

- Insulation levels
- Window efficiency
- Heating and cooling systems
- Air leakage

After the inspection, the energy rater will provide a report that includes the home's energy rating, along with an estimate of annual energy use and costs. The report should also include recommended energy-efficient improvements, their costs, potential annual savings and anticipated return on investment.

This information will help your lender as they calculate whether you qualify for a mortgage. Your lender can recognize these energy savings and add the cost of the improvements into the mortgage — or, if the home is already energy efficient, your lender can stretch the debt-to-income qualifying ratio.

To help qualify for most energy-efficient financing, the HERS report usually must show the home is energy efficient or that recommended improvements are cost-effective and will save you more money than you'd be borrowing to install them.

Almost all lenders who offer FHA, VA and conventional mortgage loans have energy efficient mortgages that can be used with existing or new construction. All provide either higher qualifying ratios, or add the cost of improvements to the loan with no additional qualifying. Your lender can give you details about the different mortgages.

An Energy Efficient Mortgage can result in:

- Lower utility bills.
- More money in your pocket.
- More house for your money.
- A healthier, more comfortable house.
- A sense of pride from knowing you're helping the environment.

You can visit www.hud.gov/offices/hsg/sfh/eem/energy-r.cfm for more information.

Other Ways to Save on Energy

Renovation loans, such as FHA's 203K loan, can help you install energy-saving improvements as well as complete repairs.

Utility companies and the **Virginia Division of Energy** often have programs for energy improvements. These wouldn't be part of your mortgage but would be a second mortgage with a monthly payment that would be considered in your loan application. In addition, sometimes energy efficiency rebate programs are available that allow you to deduct the cost of energy improvements from your taxes. To see the financing, grants and programs that are currently available, visit www.dmme.virginia.gov.

Most utility companies offer energy conservation programs, including energy calculators, that can translate into real savings. Utility companies can also do an energy audit — sometimes at no charge — to evaluate your current energy use and provide suggestions on energy saving improvements.

Remember, while an energy audit can be helpful, a professionally-done Home Energy Rating System (HERS) analysis is much more sophisticated because it includes an examination of existing energy costs and the design of an energy-saving package of improvements, including costs. Also, when you get a HERS analysis, your house will be eligible for many of the available Energy Efficient Mortgages.

Your utility company or the Virginia Division of Energy website can also give you tips for saving energy after you have moved into your new house. Federal agencies such as the Department of Energy and the Environmental Protection Agency (EPA) also provide information on improving your home's efficiency. To learn more, visit www.energystar.gov.

For tips on saving energy after you have moved into your new house, visit the following websites:

- Virginia Division of Energy
  www.dmme.virginia.gov
- Department of Energy and the Environmental Protection Agency (EPA)
  www.energystar.gov
- Your local utility company's website

Role of the Lender Quiz

True or False Questions (Answers found on page 66.)

1. A pre-approval does not require providing documentation to the loan originator.

❑ True ❑ False

2. An appraisal will provide an indication of how much a property is worth.

❑ True ❑ False

3. PITI is included in most first mortgage loan payments.

❑ True ❑ False

4. The Good Faith Estimate lists the closing costs, also referred to as settlement charges.

❑ True ❑ False

5. The processor is a good source for getting a status update on your loan.

❑ True ❑ False

6. The Truth-in-Lending Disclosure provides, among other things, the total finance charges to be paid over the life of the loan.

❑ True ❑ False

Multiple Choice Questions (Answers found on page 66.)

7. A mortgage loan is approved by the

❑ Loan Originator ❑ Underwriter ❑ Processor ❑ None of these

8. Discount point funds are collected at closing

❑ To pay the real estate taxes ❑ As upfront interest

❑ To pay hazard insurance ❑ None of these

9. Escrow accounts are established for each mortgage loan to

- ❑ Pay real estate taxes and homeowners insurance
- ❑ Pay discount points
- ❑ Pay principal and interest payments
- ❑ All of these

10. The Truth in Lending Disclosure states the

❑ Annual percentage rate ❑ Amount financed

❑ Payment ❑ All of these

Answers to the Lender Quiz

True or False

1. False

2. True

3. True

4. True

5. True

6. True

Multiple Choice

7. Underwriter

8. As upfront interest

9. Pay real estate taxes and homeowners insurance

10. All of these

Forms Discussed in this Chapter

On the following pages, you'll find samples of the:

- Mortgage Loan Application Checklist
- Loan Application Form
- Good Faith Estimate
- Truth in Lending Disclosure

Mortgage Loan Application Checklist

Property Information:

Your real estate agent can assist with much of this information.

- ❑ Purchase Contract and Escrow Instructions — signed by all parties, original or a copy certified true and correct.
- ❑ Name, company and phone number for listing and selling real estate agents.
- ❑ Name, address and phone numbers for the title company and escrow office or closing attorney.
- ❑ Copy of check for earnest money deposit.
- ❑ Copy of listing, including real estate taxes and lot dimensions.
- ❑ Legal description of property being purchased.
- ❑ Property hazard insurance agent's name, company and phone number.
- ❑ Name and phone number of individual(s) for appraiser to contact to access the property.

Employment:

- ❑ Names, addresses, phone numbers and exact dates of employment with ALL employers over the past two years.
- ❑ W-2/1099s for year ____ , year ____ and year ____ from all employers (three years).
- ❑ Signed personal federal tax returns including all schedules.
- ❑ Most recent pay stub.
- ❑ If self-employed, signed company federal tax returns including all schedules for the past three years.
- ❑ If self-employed or commission, current (within past three months) Year-to-date Profit and Loss Statement and Balance Sheet, reviewed and signed by an accountant without audit.
- ❑ Award letter(s) or most current amendment for Social Security or retirement benefits. Include proof of payment (direct deposit or check stub).
- ❑ Copy of Note income — must have five years or more remaining.
- ❑ Rental agreements/leases (FHA requires one-year lease) for all tenants of real property owned.
- ❑ Schedule of Real Estate on all real property owned, to include property address and ZIP codes, property type (SFR, TH, condo, etc.), mortgage type (FHA, VA, conventional, private, etc.), date mortgage originated, mortgage balance, mortgage payment, rental income and net income earned (positive and/or negative) on each property.
- ❑ Proof of consistent receipt of child support and alimony if considered as part of qualifying income.

Mortgage Loan Application Checklist Continued

Assets:

- ❑ Two months of current statements for all bank, credit union or savings accounts showing balances, account numbers and complete address of the lenders.
- ❑ Stock and bond account statements including brokers' names, addresses, account numbers, number of shares and value.
- ❑ Life insurance face amount — cash value, if any.
- ❑ Year, make and estimated value of all vehicles.
- ❑ Gift letter — funds in borrower's account will be verified.

Liabilities:

- ❑ Names, addresses, balances, monthly payments and account numbers for all vehicle loans, charge accounts, credit cards and any other financial obligations.
- ❑ Lender names, addresses, balances, monthly payments and account numbers for all mortgages. Include a copy of annual statement, a 12-month payment history and the type of loan (FHA, VA, conventional and/or private) for each loan.
- ❑ Letter explaining any slow pays, collection accounts, judgments or other credit problems.
- ❑ Bankruptcy paper (petition, schedule of debts and discharge) and a letter of explanation.

Other:

- ❑ Addresses and dates of occupancy for all residences for the past two years.
- ❑ Names and addresses of all landlords within the last two years.
- ❑ Copies of Social Security cards and driver's license (photo ID is required for each borrower).
- ❑ If divorced, provide divorce decree and stipulations.
- ❑ Name and address of nearest living relative.

Uniform Residential Loan Application

This application is designed to be completed by the applicant(s) with the Lender's assistance. Applicants should complete this form as "Borrower" or "Co-Borrower," as applicable. Co-Borrower information must also be provided (and the appropriate box checked) when ☐ the income or assets of a person other than the Borrower (including the Borrower's spouse) will be used as a basis for loan qualification or ☐ the income or assets of the Borrower's spouse or other person who has community property rights pursuant to state law will not be used as a basis for loan qualification, but his or her liabilities must be considered because the spouse or other person has community property rights pursuant to applicable law and Borrower resides in a community property state, the security property is located in a community property state, or the Borrower is relying on other property located in a community property state as a basis for repayment of the loan.

If this is an application for joint credit, Borrower and Co-Borrower each agree that we intend to apply for joint credit (sign below):

Borrower ______________________ Co-Borrower ______________________

I. TYPE OF MORTGAGE AND TERMS OF LOAN

Mortgage Applied for:	☐ VA ☐ FHA	☐ Conventional ☐ USDA/Rural Housing Service	☐ Other (explain):	Agency Case Number	Lender Case Number
Amount $	Interest Rate %	No. of Months	Amortization Type:	☐ Fixed Rate ☐ GPM	☐ Other (explain): ☐ ARM (type):

II. PROPERTY INFORMATION AND PURPOSE OF LOAN

Subject Property Address (street, city, state & ZIP)	No. of Units
Legal Description of Subject Property (attach description if necessary)	Year Built

Purpose of Loan ☐ Purchase ☐ Construction ☐ Other (explain): ☐ Refinance ☐ Construction-Permanent	Property will be: ☐ Primary Residence ☐ Secondary Residence ☐ Investment

Complete this line if construction or construction-permanent loan.

Year Lot Acquired	Original Cost	Amount Existing Liens	(a) Present Value of Lot	(b) Cost of Improvements	Total (a + b)
	$	$	$	$	$

Complete this line if this is a refinance loan.

Year Acquired	Original Cost	Amount Existing Liens	Purpose of Refinance	Describe Improvements ☐ made ☐ to be made
	$	$		Cost: $

Title will be held in what Name(s)	Manner in which Title will be held	Estate will be held in: ☐ Fee Simple ☐ Leasehold (show expiration date)
Source of Down Payment, Settlement Charges, and/or Subordinate Financing (explain)		

III. BORROWER INFORMATION

Borrower				Co-Borrower			
Borrower's Name (include Jr. or Sr. if applicable)				Co-Borrower's Name (include Jr. or Sr. if applicable)			
Social Security Number	Home Phone (incl. area code)	DOB (mm/dd/yyyy)	Yrs. School	Social Security Number	Home Phone (incl. area code)	DOB (mm/dd/yyyy)	Yrs. School
☐ Married ☐ Unmarried (include ☐ Separated single, divorced, widowed)	Dependents (not listed by Co-Borrower) no.	ages		☐ Married ☐ Unmarried (include ☐ Separated single, divorced, widowed)	Dependents (not listed by Borrower) no.	ages	
Present Address (street, city, state, ZIP) ☐ Own ☐ Rent ____No. Yrs.				Present Address (street, city, state, ZIP) ☐ Own ☐ Rent ____No. Yrs.			
Mailing Address, if different from Present Address				Mailing Address, if different from Present Address			

If residing at present address for less than two years, complete the following:

Borrower	Co-Borrower
Former Address (street, city, state, ZIP) ☐ Own ☐ Rent ____No. Yrs.	Former Address (street, city, state, ZIP) ☐ Own ☐ Rent ____No. Yrs.

IV. EMPLOYMENT INFORMATION

Borrower			Co-Borrower		
Name & Address of Employer	☐ Self Employed	Yrs. on this job	Name & Address of Employer	☐ Self Employed	Yrs. on this job
		Yrs. employed in this line of work/profession			Yrs. employed in this line of work/profession
Position/Title/Type of Business	Business Phone (incl. area code)		Position/Title/Type of Business	Business Phone (incl. area code)	

If employed in current position for less than two years or if currently employed in more than one position, complete the following:

Borrower			IV. EMPLOYMENT INFORMATION (cont'd)		Co-Borrower
Name & Address of Employer	☐ Self Employed	Dates (from – to) Monthly Income $	Name & Address of Employer	☐ Self Employed	Dates (from – to) Monthly Income $
Position/Title/Type of Business	Business Phone (incl. area code)		Position/Title/Type of Business	Business Phone (incl. area code)	
Name & Address of Employer	☐ Self Employed	Dates (from – to) Monthly Income $	Name & Address of Employer	☐ Self Employed	Dates (from – to) Monthly Income $
Position/Title/Type of Business	Business Phone (incl. area code)		Position/Title/Type of Business	Business Phone (incl. area code)	

V. MONTHLY INCOME AND COMBINED HOUSING EXPENSE INFORMATION

Gross Monthly Income	Borrower	Co-Borrower	Total	Combined Monthly Housing Expense	Present	Proposed
Base Empl. Income*	$	$	$	Rent	$	
Overtime				First Mortgage (P&I)		$
Bonuses				Other Financing (P&I)		
Commissions				Hazard Insurance		
Dividends/Interest				Real Estate Taxes		
Net Rental Income				Mortgage Insurance		
Other (before completing, see the notice in "describe other income," below)				Homeowner Assn. Dues		
				Other:		
Total	$	$	$	Total	$	$

* **Self Employed Borrower(s) may be required to provide additional documentation such as tax returns and financial statements.**

Describe Other Income *Notice:* **Alimony, child support, or separate maintenance income need not be revealed if the Borrower (B) or Co-Borrower (C) does not choose to have it considered for repaying this loan.**

B/C		Monthly Amount
		$

VI. ASSETS AND LIABILITIES

This Statement and any applicable supporting schedules may be completed jointly by both married and unmarried Co-Borrowers if their assets and liabilities are sufficiently joined so that the Statement can be meaningfully and fairly presented on a combined basis; otherwise, separate Statements and Schedules are required. If the Co-Borrower section was completed about a non-applicant spouse or other person, this Statement and supporting schedules must be completed about that spouse or other person also.

Completed ☐ Jointly ☐ Not Jointly

ASSETS Description	Cash or Market Value
Cash deposit toward purchase held by:	$

Liabilities and Pledged Assets. List the creditor's name, address, and account number for all outstanding debts, including automobile loans, revolving charge accounts, real estate loans, alimony, child support, stock pledges, etc. Use continuation sheet, if necessary. Indicate by (*) those liabilities, which will be satisfied upon sale of real estate owned or upon refinancing of the subject property.

List checking and savings accounts below		LIABILITIES	Monthly Payment & Months Left to Pay	Unpaid Balance
Name and address of Bank, S&L, or Credit Union		Name and address of Company	$ Payment/Months	$
Acct. no.	$	Acct. no.		
Name and address of Bank, S&L, or Credit Union		Name and address of Company	$ Payment/Months	$
Acct. no.	$	Acct. no.		
Name and address of Bank, S&L, or Credit Union		Name and address of Company	$ Payment/Months	$
Acct. no.	$	Acct. no.		

VI. ASSETS AND LIABILITIES (cont'd)

Name and address of Bank, S&L, or Credit Union		Name and address of Company	$ Payment/Months	$
Acct. no.	$	Acct. no.		
Stocks & Bonds (Company name/ number & description)	$	Name and address of Company Acct. no.	$ Payment/Months	$
Life insurance net cash value Face amount: $	$	Name and address of Company	$ Payment/Months	$
Subtotal Liquid Assets	$			
Real estate owned (enter market value from schedule of real estate owned)	$			
Vested interest in retirement fund	$			
Net worth of business(es) owned (attach financial statement)	$	Acct. no.		
Automobiles owned (make and year)	$	Alimony/Child Support/Separate Maintenance Payments Owed to:	$	
Other Assets (itemize)	$	Job-Related Expense (child care, union dues, etc.)	$	
		Total Monthly Payments	$	
Total Assets a.	$	Net Worth (a minus b) ► $	**Total Liabilities b.**	$

Schedule of Real Estate Owned (If additional properties are owned, use continuation sheet.)

Property Address (enter S if sold, PS if pending sale or R if rental being held for income)	▼	Type of Property	Present Market Value	Amount of Mortgages & Liens	Gross Rental Income	Mortgage Payments	Insurance, Maintenance, Taxes & Misc.	Net Rental Income
			$	$	$	$	$	$
		Totals	$	$	$	$	$	$

List any additional names under which credit has previously been received and indicate appropriate creditor name(s) and account number(s):

Alternate Name	Creditor Name	Account Number

VII. DETAILS OF TRANSACTION

a.	Purchase price	$
b.	Alterations, improvements, repairs	
c.	Land (if acquired separately)	
d.	Refinance (incl. debts to be paid off)	
e.	Estimated prepaid items	
f.	Estimated closing costs	
g.	PMI, MIP, Funding Fee	
h.	Discount (if Borrower will pay)	
i.	Total costs (add items a through h)	

VIII. DECLARATIONS

If you answer "Yes" to any questions a through i, please use continuation sheet for explanation.	Borrower Yes	Borrower No	Co-Borrower Yes	Co-Borrower No
a. Are there any outstanding judgments against you?	☐	☐	☐	☐
b. Have you been declared bankrupt within the past 7 years?	☐	☐	☐	☐
c. Have you had property foreclosed upon or given title or deed in lieu thereof in the last 7 years?	☐	☐	☐	☐
d. Are you a party to a lawsuit?	☐	☐	☐	☐
e. Have you directly or indirectly been obligated on any loan which resulted in foreclosure, transfer of title in lieu of foreclosure, or judgment?	☐	☐	☐	☐

(This would include such loans as home mortgage loans, SBA loans, home improvement loans, educational loans, manufactured (mobile) home loans, any mortgage, financial obligation, bond, or loan guarantee. If "Yes," provide details, including date, name, and address of Lender, FHA or VA case number, if any, and reasons for the action.)

VII. DETAILS OF TRANSACTION		
j.	Subordinate financing	
k.	Borrower's closing costs paid by Seller	
l.	Other Credits (explain)	
m.	Loan amount (exclude PMI, MIP, Funding Fee financed)	
n.	PMI, MIP, Funding Fee financed	
o.	Loan amount (add m & n)	
p.	Cash from/to Borrower (subtract j, k, l & o from i)	

VIII. DECLARATIONS	Borrower Yes	Borrower No	Co-Borrower Yes	Co-Borrower No
If you answer "Yes" to any questions a through i, please use continuation sheet for explanation.				
f. Are you presently delinquent or in default on any Federal debt or any other loan, mortgage, financial obligation, bond, or loan guarantee? If "Yes," give details as described in the preceding question.	☐	☐	☐	☐
g. Are you obligated to pay alimony, child support, or separate maintenance?	☐	☐	☐	☐
h. Is any part of the down payment borrowed?	☐	☐	☐	☐
i. Are you a co-maker or endorser on a note?	☐	☐	☐	☐
j. Are you a U.S. citizen?	☐	☐	☐	☐
k. Are you a permanent resident alien?	☐	☐	☐	☐
l. Do you intend to occupy the property as your primary residence? If "Yes," complete question m below.	☐	☐	☐	☐
m. Have you had an ownership interest in a property in the last three years?	☐	☐	☐	☐
(1) What type of property did you own—principal residence (PR), second home (SH), or investment property (IP)?	____		____	
(2) How did you hold title to the home—solely by yourself (S), jointly with your spouse (SP), or jointly with another person (O)?	____		____	

IX. ACKNOWLEDGEMENT AND AGREEMENT

Each of the undersigned specifically represents to Lender and to Lender's actual or potential agents, brokers, processors, attorneys, insurers, servicers, successors and assigns and agrees and acknowledges that: (1) the information provided in this application is true and correct as of the date set forth opposite my signature and that any intentional or negligent misrepresentation of this information contained in this application may result in civil liability, including monetary damages, to any person who may suffer any loss due to reliance upon any misrepresentation that I have made on this application, and/or in criminal penalties including, but not limited to, fine or imprisonment or both under the provisions of Title 18, United States Code, Sec. 1001, et seq.; (2) the loan requested pursuant to this application (the "Loan") will be secured by a mortgage or deed of trust on the property described in this application; (3) the property will not be used for any illegal or prohibited purpose or use; (4) all statements made in this application are made for the purpose of obtaining a residential mortgage loan; (5) the property will be occupied as indicated in this application; (6) the Lender, its servicers, successors or assigns may retain the original and/or an electronic record of this application, whether or not the Loan is approved; (7) the Lender and its agents, brokers, insurers, servicers, successors, and assigns may continuously rely on the information contained in the application, and I am obligated to amend and/or supplement the information provided in this application if any of the material facts that I have represented herein should change prior to closing of the Loan; (8) in the event that my payments on the Loan become delinquent, the Lender, its servicers, successors or assigns may, in addition to any other rights and remedies that it may have relating to such delinquency, report my name and account information to one or more consumer reporting agencies; (9) ownership of the Loan and/or administration of the Loan account may be transferred with such notice as may be required by law; (10) neither Lender nor its agents, brokers, insurers, servicers, successors or assigns has made any representation or warranty, express or implied, to me regarding the property or the condition or value of the property; and (11) my transmission of this application as an "electronic record" containing my "electronic signature," as those terms are defined in applicable federal and/or state laws (excluding audio and video recordings), or my facsimile transmission of this application containing a facsimile of my signature, shall be as effective, enforceable and valid as if a paper version of this application were delivered containing my original written signature.

Acknowledgement. Each of the undersigned hereby acknowledges that any owner of the Loan, its servicers, successors and assigns, may verify or reverify any information contained in this application or obtain any information or data relating to the Loan, for any legitimate business purpose through any source, including a source named in this application or a consumer reporting agency.

Borrower's Signature	Date	Co-Borrower's Signature	Date
X		X	

X. INFORMATION FOR GOVERNMENT MONITORING PURPOSES

The following information is requested by the Federal Government for certain types of loans related to a dwelling in order to monitor the lender's compliance with equal credit opportunity, fair housing and home mortgage disclosure laws. You are not required to furnish this information, but are encouraged to do so. The law provides that a lender may not discriminate either on the basis of this information, or on whether you choose to furnish it. If you furnish the information, please provide both ethnicity and race. For race, you may check more than one designation. If you do not furnish ethnicity, race, or sex, under Federal regulations, this lender is required to note the information on the basis of visual observation and surname if you have made this application in person. If you do not wish to furnish the information, please check the box below. (Lender must review the above material to assure that the disclosures satisfy all requirements to which the lender is subject under applicable state law for the particular type of loan applied for.)

BORROWER ☐ I do not wish to furnish this information	CO-BORROWER ☐ I do not wish to furnish this information
Ethnicity: ☐ Hispanic or Latino ☐ Not Hispanic or Latino	**Ethnicity:** ☐ Hispanic or Latino ☐ Not Hispanic or Latino
Race: ☐ American Indian or Alaska Native ☐ Asian ☐ Black or African American ☐ Native Hawaiian or Other Pacific Islander ☐ White	**Race:** ☐ American Indian or Alaska Native ☐ Asian ☐ Black or African American ☐ Native Hawaiian or Other Pacific Islander ☐ White
Sex: ☐ Female ☐ Male	**Sex:** ☐ Female ☐ Male

To be Completed by Interviewer	Interviewer's Name (print or type)	Name and Address of Interviewer's Employer
This application was taken by: ☐ Face-to-face interview ☐ Mail ☐ Telephone ☐ Internet	Interviewer's Signature Date	
	Interviewer's Phone Number (incl. area code)	

CONTINUATION SHEET/RESIDENTIAL LOAN APPLICATION

Use this continuation sheet if you need more space to complete the Residential Loan Application. Mark B f or Borrower or C for Co-Borrower.	Borrower:	Agency Case Number:
	Co-Borrower:	Lender Case Number:

I/We fully understand that it is a Federal crime punishable by fine or imprisonment, or both, to knowingly make any false statements concerning any of the above facts as applicable under the provisions of Title 18, United States Code, Section 1001, et seq.

Borrower's Signature	Date	Co-Borrower's Signature	Date
X		X	

OMB Approval No. 2502-0265

Good Faith Estimate

Name of Originator	Borrower
Originator Address	Property Address
Originator Phone Number	
Originator Email	Date of GFE

Purpose

This GFE gives you an estimate of your settlement charges and loan terms if you are approved for this loan. For more information, see HUD's *Special Information Booklet* on settlement charges, your *Truth-in-Lending Disclosures*, and other consumer information at www.hud.gov/respa. If you decide you would like to proceed with this loan, contact us.

Shopping for your loan

Only you can shop for the best loan for you. Compare this GFE with other loan offers, so you can find the best loan. Use the shopping chart on page 3 to compare all the offers you receive.

Important dates

1. The interest rate for this GFE is available through ☐. After this time, the interest rate, some of your loan Origination Charges, and the monthly payment shown below can change until you lock your interest rate.
2. This estimate for all other settlement charges is available through ☐.
3. After you lock your interest rate, you must go to settlement within ☐ days (your rate lock period) to receive the locked interest rate.
4. You must lock the interest rate at least ☐ days before settlement.

Summary of your loan

Your initial loan amount is	$	
Your loan term is	years	
Your initial interest rate is	%	
Your initial monthly amount owed for principal, interest, and any mortgage insurance is	$ per month	
Can your interest rate rise?	☐ No	☐ Yes, it can rise to a maximum of %. The first change will be in .
Even if you make payments on time, can your loan balance rise?	☐ No	☐ Yes, it can rise to a maximum of $
Even if you make payments on time, can your monthly amount owed for principal, interest, and any mortgage insurance rise?	☐ No	☐ Yes, the first increase can be in and the monthly amount owed can rise to $. The maximum it can ever rise to is $.
Does your loan have a prepayment penalty?	☐ No	☐ Yes, your maximum prepayment penalty is $.
Does your loan have a balloon payment?	☐ No	☐ Yes, you have a balloon payment of $ due in years.

Escrow account information

Some lenders require an escrow account to hold funds for paying property taxes or other property-related charges in addition to your monthly amount owed of $ ☐.
Do we require you to have an escrow account for your loan?
☐ No, you do not have an escrow account. You must pay these charges directly when due.
☐ Yes, you have an escrow account. It may or may not cover all of these charges. Ask us.

Summary of your settlement charges

A	Your Adjusted Origination Charges *(See page 2.)*	$
B	Your Charges for All Other Settlement Services *(See page 2.)*	$
A + B	Total Estimated Settlement Charges	$

Understanding your estimated settlement charges

Some of these charges can change at settlement. See the top of page 3 for more information.

Your Adjusted Origination Charges	
1. **Our origination charge** This charge is for getting this loan for you.	
2. **Your credit or charge (points) for the specific interest rate chosen** ☐ The credit or charge for the interest rate of ____ % is included in "Our origination charge." (See item 1 above.) ☐ You receive a credit of $ ____ for this interest rate of ____ %. This credit **reduces** your settlement charges. ☐ You pay a charge of $ ____ for this interest rate of ____ %. This charge (points) **increases** your total settlement charges. The tradeoff table on page 3 shows that you can change your total settlement charges by choosing a different interest rate for this loan.	
A Your Adjusted Origination Charges	$

Your Charges for All Other Settlement Services	
3. **Required services that we select** These charges are for services we require to complete your settlement. We will choose the providers of these services. *Service* *Charge*	
4. **Title services and lender's title insurance** This charge includes the services of a title or settlement agent, for example, and title insurance to protect the lender, if required.	
5. **Owner's title insurance** You may purchase an owner's title insurance policy to protect your interest in the property.	
6. **Required services that you can shop for** These charges are for other services that are required to complete your settlement. We can identify providers of these services or you can shop for them yourself. Our estimates for providing these services are below. *Service* *Charge*	
7. **Government recording charges** These charges are for state and local fees to record your loan and title documents.	
8. **Transfer taxes** These charges are for state and local fees on mortgages and home sales.	
9. **Initial deposit for your escrow account** This charge is held in an escrow account to pay future recurring charges on your property and includes ☐ all property taxes, ☐ all insurance, and ☐ other ____.	
10. **Daily interest charges** This charge is for the daily interest on your loan from the day of your settlement until the first day of the next month or the first day of your normal mortgage payment cycle. This amount is $ ____ per day for ____ days (if your settlement is ____).	
11. **Homeowner's insurance** This charge is for the insurance you must buy for the property to protect from a loss, such as fire. *Policy* *Charge*	
B Your Charges for All Other Settlement Services	$
A + B **Total Estimated Settlement Charges**	$

Instructions

Understanding which charges can change at settlement

This GFE estimates your settlement charges. At your settlement, you will receive a HUD-1, a form that lists your actual costs. Compare the charges on the HUD-1 with the charges on this GFE. Charges can change if you select your own provider and do not use the companies we identify. (See below for details.)

These charges **cannot increase** at settlement:	The total of these charges **can increase up to 10%** at settlement:	These charges **can change** at settlement:
▪ Our origination charge ▪ Your credit or charge (points) for the specific interest rate chosen *(after you lock in your interest rate)* ▪ Your adjusted origination charges *(after you lock in your interest rate)* ▪ Transfer taxes	▪ Required services that we select ▪ Title services and lender's title insurance *(if we select them or you use companies we identify)* ▪ Owner's title insurance *(if you use companies we identify)* ▪ Required services that you can shop for *(if you use companies we identify)* ▪ Government recording charges	▪ Required services that you can shop for *(if you do not use companies we identify)* ▪ Title services and lender's title insurance *(if you do not use companies we identify)* ▪ Owner's title insurance *(if you do not use companies we identify)* ▪ Initial deposit for your escrow account ▪ Daily interest charges ▪ Homeowner's insurance

Using the tradeoff table

In this GFE, we offered you this loan with a particular interest rate and estimated settlement charges. However:

- If you want to choose this same loan with **lower settlement charges,** then you will have a **higher interest rate.**
- If you want to choose this same loan with a **lower interest rate,** then you will have **higher settlement charges.**

If you would like to choose an available option, you must ask us for a new GFE.

Loan originators have the option to complete this table. Please ask for additional information if the table is not completed.

	The loan in this GFE	The same loan with lower settlement charges	The same loan with a lower interest rate
Your initial loan amount	$	$	$
Your initial interest rate[1]	%	%	%
Your initial monthly amount owed	$	$	$
Change in the monthly amount owed from this GFE	No change	You will pay $ **more** every month	You will pay $ **less** every month
Change in the amount you will pay at settlement with this interest rate	No change	Your settlement charges will be **reduced** by $	Your settlement charges will **increase** by $
How much your total estimated settlement charges will be	$	$	$

[1] *For an adjustable rate loan, the comparisons above are for the initial interest rate before adjustments are made.*

Using the shopping chart

Use this chart to compare GFEs from different loan originators. Fill in the information by using a different column for each GFE you receive. By comparing loan offers, you can shop for the best loan.

	This loan	Loan 2	Loan 3	Loan 4
Loan originator name				
Initial loan amount				
Loan term				
Initial interest rate				
Initial monthly amount owed				
Rate lock period				
Can interest rate rise?				
Can loan balance rise?				
Can monthly amount owed rise?				
Prepayment penalty?				
Balloon payment?				
Total Estimated Settlement Charges				

If your loan is sold in the future

Some lenders may sell your loan after settlement. Any fees lenders receive in the future cannot change the loan you receive or the charges you paid at settlement.

Truth in Lending

☐ INITIAL ☐ FINAL

FEDERAL TRUTH-IN-LENDING DISCLOSURE

Creditor

Borrower(s)

Loan No.
Processor
Date of Disclosure
Est. Settlement Date (Date of Closing)

Mailing
Address

ANNUAL PERCENTAGE RATE The cost of your credit as a yearly rate.	FINANCE CHARGE The dollar amount the credit will cost you.	AMOUNT FINANCED The amount of credit provided to you or on your behalf.	TOTAL OF PAYMENTS The amount you will have paid after you have made all payments as scheduled.
%	$	$	$

INTEREST RATE AND PAYMENT SUMMARY

☐ REQUIRED DEPOSIT: The annual percentage rate does not take into account any required deposit.
☐ DEMAND FEATURE: This obligation has a demand feature.
☐ VARIABLE RATE MORTGAGE: Variable Rate Mortgage Program disclosures have been provided earlier which discuss this and other variable rate features of your loan.

☐ ASSUMPTION: Someone buying your property
☐ may, subject to conditions ☐ cannot assume the remainder of your loan on the original terms.

PROPERTY INSURANCE: Property insurance is required in this transaction. You may obtain such insurance from anyone that is acceptable to the creditor. If you purchase from the creditor you will pay $ for a month term.

SECURITY: You are giving a security interest in:
☐ The goods or property being purchased
☐ Real property you own located at
☐ Other

Collateral securing other loans with us (or an assignee) may also secure this loan.

FILING FEES AND TAXES: $
LATE CHARGE: If a payment is days late, you will be charged % of .
PREPAYMENT: If you pay off early, you
☐ may ☐ will not have to pay a penalty.
☐ may ☐ will not be entitled to a refund of part of the finance charge.

See your actual contract documents for any additional information about nonpayment, default, or any required repayment in full before the scheduled date as well as prepayment refunds and penalties.

☐ All dates and numerical disclosures, except the late payment disclosure, are **ESTIMATES.**

Borrower(s) understand that delivery of this disclosure is not a commitment by the creditor to make this loan, and that signing this disclosure does not obligate Borrower(s) to accept the loan.

Borrower / Date — Borrower / Date

Borrower / Date — Borrower / Date

WGS Form 0029R (0C28)

Role of the Real Estate Agent

Chapter 4

Choosing the right real estate agent is a crucial part of your journey to homeownership. Your agent can help you find the home you've been dreaming about — and serve as a knowledgeable partner, capable of walking you through the entire homebuying process. That's especially important if it's your first time buying a home.

Why Use a Real Estate Agent?

As part of buying a home, you may decide you want to use the services of a real estate agent to help you locate potential properties. Using a real estate agent has several advantages over just looking on your own. A real estate agent can:

- Help you determine exactly what you're looking for.
- Arrange appointments for you to visit homes, and tour them with you.
- Assist you in evaluating the quality of the home, compared to the price.
- Make it easier to negotiate and close the deal.

Choosing a Real Estate Agent

There are many ways to find an agent. Word of mouth, including referrals from people you know, can be one of the best ways to find a real estate agent.

Another good source for agent information is the Internet. VHDA's website lists real estate agents who are members of our *Real Estate Agent Connection*. These agents have been through our training program and are experts in addressing the needs of first-time homebuyers. To find a member-agent near you, visit vhda.com/FindARealEstateAgent.

Take your time and put some thought into selecting an agent. You may talk with two or three before you find one that you want to work with. It's important that you feel comfortable with your agent since they'll be working closely with you to find a house that meets your needs. With that in mind, before you sign an exclusive contract, you might want to ask yourself these questions:

- Is the agent easily accessible, and do they return your calls?
- When the agent takes you to look at houses, do they seem to match what you're looking for?
- Does the agent explain things in a way you can understand, including different financing options?

What is a REALTOR®?

Not all real estate agents are Realtors. Realtors are members of a trade association that requires its members to abide by certain standards and practices related to real estate transactions. This trade organization exists on a national level and usually has chapters at both state and local levels (i.e., Virginia Association of REALTORS® and Northern Virginia Association of REALTORS®). "Real estate agent" is a generic term that can be used by anyone with a license to sell real estate.

You may also notice that some agents have other designations listed on their business cards such as CRS or GRI. The Certified Residential Specialist (CRS) recognizes professional accomplishments in both experience and education. The Graduate Realtor Institute (GRI) designation indicates additional training in many areas of real estate to better serve and protect clients.

What is the Role of the Real Estate Agent?

If you've decided to work with an agent in your homebuying process, it's important to be aware of the different roles agents play in the process.

The first thing you need to know is that all agents work for a ***broker***.
A broker owns the real estate agency and is ultimately responsible for all transactions. There are also several different types of real estate agents.

- **A seller's agent or listing agent** represents the seller, assists with setting sales price, markets the property for sale and helps with negotiations.
- **A buyer's agent** represents the buyer, locates potential properties, assists with negotiations and protects the buyer's interests.
- **A dual agent** represents both buyer and seller in the same transaction.
- **A designated representation** is a situation in which the buyer and seller are using the same broker, but are represented by different agents in the same firm.

How Real Estate Agents are Paid

Be sure to ask at the beginning of the process how the agent will be paid.

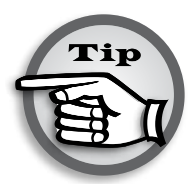
Typically, it doesn't cost the potential homebuyer any money out of pocket to use a buyer's agent. The seller pays a commission, or percentage of the sales price, to the seller-broker at loan closing. The commission is then shared between the seller-broker, seller's agent, buyer-broker and buyer's agent.

However, in some areas, a buyer's agent may charge the buyer "fees for service." This can include an hourly rate that must be paid if the buyer does not purchase a house. In addition, a buyer's agent will expect you to sign an exclusive agreement and you might be asked to pay an upfront retainer fee. The retainer fee is usually refunded when you settle at closing. Also, some buyer agents require the buyer to pay their brokerage firm's administrative fees at the time of purchase.

The Buyer-Broker Agreement

Once you choose a buyer's agent to represent you, Virginia Law requires you to sign a ***Buyer-Broker Agreement***. This exclusive agreement — designed to protect both the buyer and the real estate agent — spells out the duties and obligations of both parties. This includes agency relationships, fees (including commissions), date the contract terminates and scope of duty. This written agreement ensures that both you and your agent understand exactly what's expected from each other.

Written buyer's agent agreements can be for a short time period and/or be limited to specific properties.



Before signing an exclusive agreement with a real estate agent, be sure to read it carefully because this is a legally binding contract that locks you into working exclusively with that agent for the specified time period. If you find a house on your own — or through another agent — the terms of the legal agreement with your buyer-broker, including any payments, must still be met.

Tools of the Trade

Most agents are members of a ***Multiple Listing Service*** or ***MLS*** (this service may have a different name in your area). The MLS is a computer database of properties available for sale. It's a valuable tool that provides your agent with up-to-the-minute property information and the ability to quickly narrow the search to locate potential properties that meet your needs.

Another tool your agent can use to help you is a ***Comparative Market Analysis***. This report provides data on recently-sold properties in the surrounding area that are similar in size, features, construction, etc., to the property you're considering. Your agent will be able to see what the asking price was for a particular house, how long it took to sell and the price it sold for. Having this information will help you and your agent determine the appropriate price to offer for the house you're considering.

You'll be able to help your agent understand your housing priorities by completing a "Know Your Housing Priorities" checklist, found on the following page. Use this checklist to identify the most important features you're looking for in a home (i.e.g.: single family home or town home, ranch-style or two-story, brick or vinyl).

Know Your Housing Priorities

Use this checklist to help you and your real estate agent determine your house-hunting requirements.

Age of Home	❑ Existing	❑ New	
Type of Home	❑ Ranch	❑ Split-Level	
	❑ Two-story	❑ Other	
Design	❑ Colonial	❑ Transitional	
	❑ Contemporary	❑ Other	
Construction	❑ Brick	❑ Wood Siding	
	❑ Vinyl Siding	❑ Aluminum Siding	
	❑ Cedar Siding	❑ Stucco	
Lot	Size	Type	
Room number & type	Bedrooms	Baths	
	Dining	Family/Living	
	Basement	Other	
Extras	Fireplace	Garage	
	Porch	Air Conditioning	
Heat Type	❑ Forced Air	❑ Radiator	❑ Other
	❑ Heat Pump	❑ Electric Baseboard	
Fuel	❑ Gas	❑ Oil	❑ Electricity
Neighborhood			
Transportation Requirements			
School Requirements			
Price Range	$	$	
Cash Down Payment	$	$	
Special Requirements or Preferences			
Family Members	Adults	Children	
Name			
Address			
Telephone#			

Shop and Compare

During your home search, you'll probably visit a number of properties. In fact, a recent survey showed that the typical homebuyer looks at 12 to 15 homes before making a decision. Remembering all the features and details about each home you visit can be a challenge. So, here are some ideas to help you stay organized:

- Your real estate agent should have an information sheet for each house they're going to show you. Ask for your own copy.
- Be prepared with a "shopping list" when visiting properties so you can effectively compare the features and condition of each house when evaluating your choices.
- You can also make notes about specific things you may want to negotiate if you decide to make a formal offer to purchase.

FORM

You may find it helpful to complete a "House Evaluation" checklist for each house you visit, to help you keep track of important points and features that you liked or disliked. (You'll find this form on the following page.)

Try to do the following for each house you visit:

- Make notes about the features of each room.
- Check for water damage and ask about any recently repaired areas.
- Make sure you know what is included in the purchase price; some sellers will include appliances and others will not.
- View the surrounding neighborhood, and the local schools, at different times of day.
- Ask questions about the condition of the roof, appliances, heating and cooling systems, electrical system and plumbing system.

House Evaluation Checklist

This checklist, prepared by the National Association of REALTORS®, can help you rate the homes you've seen.

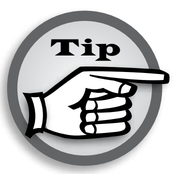
Location: ____________________

Price: $ ____________________ (Asking) $ ____________________ (Mortgage)

Neighborhood	❑ Ideal	❑ Acceptable	❑ Poor
Type and Construction			
Condition	❑ Excellent	❑ Good	❑ Poor
Rooms	Bedrooms	Bath	
	Living Room	Fireplace	
	Dining Room	Kitchen	
	Other	Other	
Heat Type	❑ Forced Air	❑ Radiator	❑ Heat Pump
	❑ Electric Baseboard		
Air Conditioning	❑ Yes	❑ No	Type
Fuel	❑ Gas	❑ Oil	❑ Electricity
Miscellaneous	Lot Size	Taxes	Garage
	Porch	Schools	Stores
	Transportation	Well	City Water
	Septic	Sewer	

Notes: ____________________

- Try to visually inspect the house for:
  - ✓ Moss, mildew or mold on exterior siding.
  - ✓ Soggy areas in the yard.
  - ✓ Roof that sags in the middle.
  - ✓ Walls that curve in or out.
  - ✓ Windows or doors that look crooked.
  - ✓ Porches that lean or sag.
  - ✓ Diagonal cracks above doors and windows.
  - ✓ Slipping or shifted foundation.
  - ✓ Floors that feel uneven or spongy.
  - ✓ Flaky paint on inside and/or outside.
  - ✓ Odd odors, such as sewer gas.
  - ✓ Signs of insects, especially termites or ants.



Whenever you visit a house, take a tape measure, flashlight and camera (be sure to get permission before taking any photographs).

Negotiating the Contract

Once you decide on THE house, it is time to write a purchase offer. As you and your agent sit down to write the purchase offer, consider some of these negotiating factors:

- The length of time the house has been on the market.
- The condition of the house and any improvements or repairs that are needed.
- The amount of money that you (the buyer) are approved to borrow.
- Whether the asking price has already been reduced.
- The typical sales prices of homes in the surrounding area (use the Comparative Market Analysis for this information).

What about contingencies?
In addition to stating the price you're willing to pay for the house, your purchase offer should also specify any ***contingencies*** you and your agent decide should be included. Contingencies are conditional events, which must happen before the loan can be closed. Some examples of contingencies are:

- Satisfactory home inspection.
- Seller's agreement to make certain repairs.
- Personal property to be included in the purchase (i.e., blinds, appliances, ceiling fans, etc.).
- Buyer's ability to get out of a current lease.
- Property appraising for at least the sales price.

Should I consider a homeowner's warranty?
A ***homeowner's warranty*** is something else the seller can be asked to provide as part of negotiating the contract. This warranty costs approximately $400 - $450 for basic coverage and can include appliances, heating and cooling systems, electrical and plumbing systems, etc. If one of the warranted items malfunctions during the coverage period, the owner (you) would only have to pay a small fee to have it repaired or replaced. This warranty can provide peace of mind for a buyer who is purchasing a home with older appliances and/or systems.

If you've been pre-approved by a mortgage lender prior to writing your purchase offer, include the letter with your offer. This shows the seller that you're already a qualified buyer, which could be a good negotiating tool.

Customarily, an ***earnest money deposit*** is part of the purchase offer. Earnest money is a show of sincerity and intent by the buyer to purchase the seller's home. The amount of an earnest money deposit can vary based on location and circumstances, but is usually between $500 - $1,000. Your agent will help you determine the amount you should deposit.

If you will owe any money for closing costs and/or down payment, then your earnest money deposit will be applied to the total amount due. If there is no money due from you to close your mortgage loan, then your earnest money deposit will be refunded to you.

Your earnest money deposit is an out-of-pocket expense you should include in your Spending and Savings Plan before you begin the homebuying process.

Once your purchase offer is complete, your agent will deliver it to the seller's agent for review. The seller now has three options:

- Accept the offer.
- Reject the offer.
- Make a counteroffer.

If they accept your offer, they agree to your price and contingencies. If they reject your offer, it means they don't accept your terms and there will be no further negotiations on the proposed offer. The seller may also make a counteroffer that agrees to some of your terms, but renegotiates others.

Example:

The seller is asking $150,000 for their house. You write an offer to purchase their house for $145,000, with the contingency that the seller must replace the carpet. In their counteroffer, the seller agrees to your lower purchase price, but does not agree to your contingency of replacing the carpet. Once the seller has made a counteroffer, it is now up to you (the buyer), to decide how to proceed.

Just like the seller, your three options are to accept their offer, reject their offer or write a counteroffer. This back-and-forth negotiation process continues until both parties have agreed on the terms and have signed off.

After the buyer and the seller both sign the purchase offer, it becomes a ***ratified contract***.

A ratified contract is a legally binding agreement, which means that unless one of your contingencies is not satisfied, you are legally bound to buy the house. This is why it's very important to make a firm decision about the house — and your desire to purchase it — before you write the offer and sign the contract.

Alert

If you decide not to purchase the house, and are not protected by a contingency included in the contract, you may face serious consequences. You'll probably have to forfeit your earnest money deposit and could possibly face legal action from the seller, their agent and even your agent.

Upon mutual acceptance of the purchase offer, your buyer's agent should work with you to make arrangements for the home inspection.

The Final Walk-Through

A day or two before loan closing, you and your agent will conduct a final walk-through of the property you're buying. This walk-through is your last opportunity to ensure that any and all contingencies have been met.

For example, if you negotiated with the sellers that they make specific repairs to the house, you need to make certain these repairs have been completed before you get to the loan closing.

If the property is not in the condition both parties agreed to, your agent and the seller's agent can make arrangements to have it taken care of. If, during the walk-through, you find the property condition to be satisfactory, then your final step is to proceed with the loan closing on your new home!

Working With a Real Estate Agent Quiz

True or False Questions (Answers found on page 97.)

1. A Comparative Market Analysis is a tool that can help potential homebuyers determine if a property for sale is appropriately priced.

❑ True ❑ False

2. Including the buyer’s loan pre-approval letter with their purchase offer is a good negotiating tactic.

❑ True ❑ False

3. Once both the buyers and the sellers sign the purchase offer and the offer is delivered to the buyer’s agent, it becomes a ratified contract.

❑ True ❑ False

4. REALTORS® belong to a trade organization that requires them to comply with certain standards and practices related to real estate transactions.

❑ True ❑ False

5. The earnest money deposit is applied toward closing costs at loan closing.

❑ True ❑ False

6. The Multiple Listing Service (MLS), a tool available to agents, is used to help potential homebuyers narrow their search.

❑ True ❑ False

Multiple Choice Questions (Answers found on page 97.)

7. Once the buyers have presented a purchase offer to the sellers, the sellers have the option to:

❑ Accept the offer ❑ Reject the offer ❑ Counter the offer

❑ None of these ❑ All of these

8. What is something a potential buyer should check for when looking at properties?

❑ Roof that sags in the middle

❑ Diagonal cracks above doors and windows

❑ Mildew, moss or mold on exterior siding

❑ All of these

9. When do the buyers conduct a "final walk-through?"

❑ Shortly before the loan closing

❑ Directly after the loan closing

❑ After they've signed the contract

❑ During the home inspection

10. When you see a house with an agent's "for sale" sign in the yard, the agent who is on the sign is called the:

❑ Listing agent ❑ Signage agent ❑ Buyer's agent ❑ Yard agent

Answers to the Real Estate Agent Quiz

True or False

1. True **3.** True **5.** True

2. True **4.** True **6.** True

Multiple Choice

7. All of these

8. All of these

9. Shortly before the loan closing

10. Listing agent

Chapter 5

Virginia Fair Housing Law

The State of Virginia enforces a Fair Housing Law that is substantially derived from the Federal Fair Housing Act. Like the federal law, the Virginia Fair Housing Law is designed to protect individuals from discriminatory practices, stating that no one can be denied housing because of:

- Race
- Color
- Religion (any or none)
- Gender
- Disability (handicap)
- Elderliness (defined as 55 years or older, as covered in Virginia state law)
- Familial status (presence of children under 18 in the family, pregnant women, or adults attempting to secure custody of children)
- National origin

Housing practices prohibited by state and federal law include:

- Discrimination in terms, conditions, privileges, services and facilities.
- Discriminatory advertisements, statements and notices.
- Discriminatory representations on the availability of dwellings.
- Blockbusting or redlining, defined as refusing mortgages to neighborhoods judged to be poor financial risks.
- Discrimination in the provision of brokerage services.
- Discrimination in lending or other financial services.
- Discrimination in the purchase of loans.
- Discrimination in the terms and conditions for making loans or other financial assistance available.
- Unlawful practices in the selling, brokering or appraising of residential real property.
- Discrimination because of a disability (handicap).

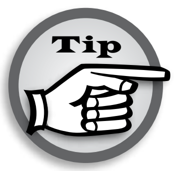
Predatory Lending

Fair housing laws also prohibit ***predatory lending*** practices that relate to a protected class. Predatory lending (or abusive lending) refers to unfair or deceptive practices that negatively impact the borrower. Some examples of predatory lending include:

- **Overcharging for interest and points.** If the mortgage lender considers you a high risk, they may charge a higher interest rate — but they should discuss the matter with you in advance. One option at that point would be to wait until your credit score improves and then apply again for a mortgage loan.

  Stay aware of what the current market rates are. You can find current rates in the newspaper, on the Internet, or through an individual at your bank. If a mortgage lender wants to charge you higher interest and points than what is justified by the risk of making the loan, you may want to choose a different mortgage loan company.

- **Loan Flipping.** Some predatory lenders use this abusive practice as a way to increase their revenues. Loan flipping occurs when a loan originator tries to entice you to refinance your loan repeatedly within a short period of time. There may be prepayment penalties and high fees each time a refinance occurs. Each time you refinance, it is a normal practice to finance as much of the closing costs as possible — meaning you stand to lose some equity each time a refinance occurs.



If you think it's a good time to refinance your loan due to decreases in interest rates, you may want to consult a housing counseling agency in your area before making a decision. You can find one by visiting www.hud.gov.

- **Packing Loans.** Some abusive lenders "pack" their loans with fees that far exceed what is expected or economically justified — often without your knowledge. This is another predatory practice that will cause you to lose equity. Protect yourself by reviewing the Good Faith Estimate and the HUD-1, making sure you understand each fee associated with your loan.

- **Balloon Payments.** A loan with a balloon payment may appear to be within your ability to repay — but there is a large payment of thousands of dollars that will be due toward the end of the loan that will force you to refinance the loan if you don't have the cash available to make the balloon payment. It's another abusive practice that can cost you equity in your home. Many times balloon payments become part of a mortgage without regard to a borrower's ability to repay, so make sure your loan does not include a balloon payment.

Protect Yourself from Predatory Lenders

There are some things you can do to avoid falling victim to a predatory lender:

- **Understand all documentation**, never sign blank documents, and never sign documents unless all blanks are completely filled in. Do not allow anyone to pressure you into signing something before you are ready.
- **Avoid door-to-door and direct mail pitches** offering to repair or replace a roof, replace windows, doors, siding, or other maintenance items. If you have questions about the condition of your home and whether any maintenance or major repairs are needed, a home inspector can be hired. (More information about home inspectors can be found in Chapter 6, "The Home Inspection."
- **Know your rights.** Predatory lenders prey on minorities, the elderly, and borrowers with lower incomes or less education. Anyone can combat predatory lending practices by understanding the federal laws that protect consumers, including the Real Estate Settlement Procedures Act (RESPA), the Homeowners Equity Protection Act (HOEPA), and the Truth-in-Lending Act (see page 55 for more information).
- **Get trustworthy advice.** Before signing anything, agreeing to anything or speaking with a lender, you may want to speak with a housing counselor. As mentioned earlier, you can find the name of a housing counseling agency in your area by visiting HUD's website at www.hud.gov.

If you think you have been discriminated against when trying to purchase a home or secure financing, you can file a complaint with the Virginia Fair Housing Office. You'll need to provide:

- Your name and current address.
- The name and address of person(s) accused of a discriminatory practice.
- Description of the facts concerning the alleged discriminatory practice.

For more information about the Virginia Fair Housing Law, or to file a complaint, contact:

Virginia Fair Housing Office
9960 Mayland Drive Suite 400
Richmond, VA 23233-1463

Phone:	804-367-8530
Toll free:	888-551-3247
Website:	www.dpor.virginia.gov
Email:	fairhousing@dpor.virginia.gov

The Home Inspection 6

While a home inspection is not a requirement for most mortgage loans, it is an important pre-purchase investment every potential homebuyer should make. A home inspection is an affordable way to:

- Avoid expensive repairs.
- Become familiar with a home's major systems.
- Improve your negotiation options (get an adjustment in price, or have the seller pay for repairs).

Spending a few hundred dollars now may save you thousands in unforeseen repairs after you've bought the home and moved in. If significant repairs are needed, the inspection report may enable you to withdraw your offer. If there are no problems, the inspection will give you additional peace of mind in your decision to buy the home.

Why is Having a Home Inspection So Important?

Recently, the laws have changed concerning what the seller must tell you about their home's condition. Although the seller is required to disclose any known defects that affect the value of the house, usually the seller will say the price of the home takes into consideration any problems listed on the ***seller disclosure***.

Even with a seller disclosure, you should still have a professional inspection done.

Many future repairs and potential problems are not clearly visible to the untrained eye. Home inspectors are experienced professionals who know how to look for telltale signs of trouble, and can help the potential buyer avoid expensive problems.

During a home inspection, a qualified inspector takes an in-depth and impartial look at the property you plan to buy. The inspector will:

- Evaluate the physical condition: structure, construction and mechanical systems.
- Identify anything that should be repaired or replaced.
- Estimate the remaining useful life of the major systems (such as electrical, plumbing and heating).

Sometimes, people buying a newly constructed home may feel that hiring a home inspector is unnecessary, because someone has "inspected" the property to ensure it meets city or county building codes before occupancy is permitted. But even if the home you're buying is brand-new, you are strongly encouraged to enlist the services of a professional home inspector. That way, another trained professional evaluates the entire property, and any findings that need corrective action can be addressed with the builder when you do your final walk-through.

Sooner is Better Than Later

When you make a purchase offer that's contingent on a home inspection, you usually have a certain time period in which to schedule the inspection. You should try to schedule it as soon as possible after making an offer, so you'll have time to review the inspector's report and make any changes to the offer that might be necessary based on the inspector's report.

In addition, consider scheduling the inspection during the day. Even if that is less convenient for you than an evening inspection, you'll benefit by the inspector being able to take a better look at the outside of the home when there is daylight.

Who is the Home Inspector?

A home inspector is a professional who is trained to visually examine the condition of residential properties to determine if discoverable major mechanical deficiencies exist. The fee for this service is typically paid at the time of inspection and is based on square footage, number of stories in the house, age of the house or other factors.

Alert

You may have to pay additional fees if you want further tests done, such as water and/or radon tests and termite certification. These tests must be performed by another professional.

FORM

You'll find a helpful handout from HUD, "For Your Protection: Get a Home Inspection," at the end of this chapter.

How to Choose a Home Inspector

When choosing a home inspector, you'll want to carefully consider their qualifications. Currently, Virginia does not require licensure, but instead offers a voluntary certification. Inspectors who identify themselves as a "Certified Home Inspector" must complete the state certification program through the Department of Professional and Occupational Regulation (DPOR).

You might also want to look for an inspector who is a member of a national organization. Members of these organizations must perform their inspections to a certain standard, follow a code of ethics, meet experience requirements and, in some cases, pass an examination and provide evidence of annual continued education.

To learn more about these organizations or to locate a home inspection professional in your area who belongs to one of these organizations, visit:

- American Society of Home Inspectors (ASHI) www.ashi.com
- National Association of Home Inspectors (NAHI) www.nahi.org
- International Association of Certified Home Inspectors (InterNACHI) www.nachi.org

HUD: 10 Important Questions to Ask Your Home Inspector

1. **What does your inspection cover?** The inspector should ensure that their inspection and inspection report will meet all applicable requirements in Virginia and will comply with a well-recognized standard of practice and code of ethics. You should be able to request and see a copy of these requirements ahead of time and ask any questions you may have. If there are any areas you want to make sure are inspected, be sure to identify them up front.

2. **How long have you been practicing in the home inspection profession and how many inspections have you completed?** The inspector should be able to provide their history in the profession and perhaps even a few names as references. Newer inspectors can be very qualified, and many work with a partner or have access to more experienced inspectors to assist them in the inspection.

3. **Are you specifically experienced in residential inspection?** Related experience in construction or engineering is helpful, but is no substitute for training and experience in the unique discipline of home inspection.

   NOTE: No home inspector may be called a "certified home inspector" without meeting specific Commonwealth of Virginia requirements.

4. **Do you offer to do repairs or improvements based on the inspection?** Some inspector associations and state regulations allow the inspector to perform repair work on problems uncovered in the inspection. Other associations and regulations strictly forbid this as a conflict of interest.

5. **How long will the inspection take?** The average on-site inspection time for a typical single family house by a single inspector is two to three hours; anything significantly less may not be enough time to perform a thorough and in-depth inspection. Additional inspectors may be brought in for very large properties.

6. **How much will it cost?** Costs can vary dramatically, depending on the region, size and age of the house, scope of services and other factors. A typical range might be $300 - $500, but consider the value of the inspection in terms of the investment you'll be making in a home. Cost does not necessarily reflect quality. HUD does not regulate home inspection fees.

7. **What type of inspection report do you provide and how long will it take to receive the report?** Ask to see sample reports and decide whether or not you can understand the inspector's reporting style, and if the inspector's time parameters meet your needs. Most inspectors provide their full report within 24 hours of the inspection.

8. **Will I be able to attend the inspection?** This is a valuable educational opportunity, and an inspector's refusal to allow you to be there for the inspection should raise a red flag. Never pass up this opportunity to see your prospective home through the eyes of an expert.

9. **Do you maintain membership in a professional home inspector association?** There are many state and national associations for home inspectors. Request to see their membership ID and perform any due diligence you feel is appropriate.

10. Do you participate in continuing education programs to keep your expertise up to date? No one can ever know it all, and the inspector's commitment to continuing education is a good indication of their professionalism and service to the consumer. Additional or updated training is especially important in cases where the home is much older or includes unique elements.

You can search a home inspector database (such as http://www.inspectordatabase.com) to find home inspectors, compare inspectors, review credentials, contact inspectors and schedule inspections in Virginia.

Tip

The Inspection Report

The home inspector should provide you with a report of the findings after the inspection has been completed. The inspection and report should cover:

- Foundation
- Roof
- Plumbing and electrical systems
- Heating and air conditioning systems
- Doors and windows
- Insulation
- Ventilation

The report also points out problems and/or symptoms of potential problems that need attention, repair or further inspection. Some home inspectors will provide their findings in a written report for you to keep, and others may even include pictures or a video.

Problems the inspector may identify could include moisture damage to supporting structures within the house or crawlspace, termite and other pest damage, improperly wired electrical systems, leaky plumbing, insufficient insulation and roof damage.

Alert

It's important to remember that the home inspector doesn't check the cosmetic features of the home, such as the carpeting, nor do they warrant the home against any problems.

Why You Should Attend the Inspection

More than likely, your buyer's agent will be present for the home inspection, as will the seller's agent.

As the potential homebuyer, you should also be on hand for the home inspection, to take advantage of the educational opportunity. If you are present for the inspection you'll be in a better position to understand the report. Many times, the inspector will encourage buyers to walk around with them to see the different systems, learn about their location and how they work, as well as point out needed repairs and current or potential damage.

The inspector should inspect the roof, crawlspace, turn on all the faucets, check out the insulation, open and close all the windows, and more.

A thorough home inspection will take some time. Plan on spending at least two hours for a home inspection.

How Long is the Inspection Report Good?

When you hire a home inspector, the inspection they'll provide is good (warranted) only for the day the house is inspected. Because evidence of potential problems isn't always detectable, even to a trained expert, it would be difficult to fault the home inspector for a problem that becomes apparent years or even just a few months after the inspection has been conducted.

If a home inspector finds what seems to be a major mechanical deficiency, they may recommend you consult a specialist. For example, if the water pressure seems to indicate a problem, the inspector may recommend you have a plumber take a closer look at the home's water system.

During the inspection, the inspector should not tell you what the home is worth, give you advice on whether to buy the home, offer to make repairs to the home or refer you to someone to make the repairs.

Appraisal vs. Inspection — What's the Difference?

Some potential buyers choose not to have a home inspection because they've already paid for an ***appraisal***. While both an appraisal and a home inspection are vital, they are completely different and neither can be a substitute for the other.

An appraisal is the written analysis of a home's estimated value. An appraiser examines a house to determine its value by comparing it to other houses in close vicinity that have similar structures, enhancements, square footage, etc. The appraiser also confirms that the property meets HUD's minimum property standards; this does not include a detailed inspection. Though paid by the potential buyer, the appraiser is hired by, works for and reports to the lender.

A home inspection is an evaluation of a home's condition by a trained professional. A home inspector examines a house in terms of its structure, systems and safety, with no consideration of its estimated value. A home inspector is hired by, works for, reports to and is paid by the homebuyer.

Can the Home Inspection Affect Negotiations?

Yes. Home inspection services provide practical information that can be used to make decisions on the price or even whether to purchase a specific home. If repairs are needed, you may ask the seller to:

- Fix the problem.
- Provide money for you to have repairs made after the purchase.
- Reduce the asking price of the home to cover the cost.

The seller can respond with rejection, acceptance or a counteroffer.

If you make a purchase offer, be sure to include a contingency regarding the home inspection, stating in the offer that the inspection must meet your satisfaction.

If the inspector's report indicates that the seller or seller's agent has clearly misrepresented the condition of the home, you should consider withdrawing your offer to buy.

Home Inspection Quiz

True or False Questions (Answers found on page 113.)

1. An appraiser places a value on property, whereas a home inspector examines the house in terms of structures and systems.

❑ True ❑ False

2. As the potential homebuyer, you should plan to be present during the inspection.

❑ True ❑ False

3. If you're buying new construction, you don't need a home inspection since no one has owned the home previously.

❑ True ❑ False

4. The home inspection is good only for the day the property is inspected.

❑ True ❑ False

5. A home inspection is not typically a loan requirement.

❑ True ❑ False

6. The home inspector's fees are normally paid at the time of service.

❑ True ❑ False

7. The state of Virginia requires home inspectors to be licensed.

❑ True ❑ False

Multiple Choice Questions (Answers found on page 113.)

8. An example of a problem that a home inspector may find during the inspection of the property is:

❑ Moisture damage ❑ Termite/pest damage

❑ Leaky plumbing ❑ All of these

9. During the home inspection, the inspector examines the:

❑ Foundation ❑ Roof

❑ Plumbing and electrical systems ❑ All of these

10. The home inspection warranty is good for:

❑ 12 months ❑ 18 months ❑ 24 months ❑ None of these

11. The home inspector represents the interests of the:

❑ Loan originator ❑ Real estate agent ❑ Buyer ❑ Seller

Answers to the Home Inspection Quiz

True or False

1. True

2. True

3. False

4. True

5. True

6. True

7. False

Multiple Choice

8. All of these

9. All of these

10. None of these

11. Buyer

Forms Discussed in this Chapter

- For Your Protection: Get a Home Inspection

CAUTION

CAUTION

CAUTION

U.S. Department of Housing
and Urban Development
Federal Housing Administration (FHA)

OMB Approval No: 2502-0538
(exp. 05/31/2014)

For Your Protection:
Get a Home Inspection

Why a Buyer Needs a Home Inspection

A home inspection gives the buyer more detailed information about the overall condition of the home prior to purchase. In a home inspection, a qualified inspector takes an in-depth, unbiased look at your potential new home to:

- ✔ Evaluate the physical condition: structure, construction, and mechanical systems;
- ✔ Identify items that need to be repaired or replaced; and
- ✔ Estimate the remaining useful life of the major systems, equipment, structure, and finishes.

Appraisals are Different from Home Inspections

An appraisal is different from a home inspection. Appraisals are for lenders; home inspections are for buyers. An appraisal is required to:

- ✔ Estimate the market value of a house;
- ✔ Make sure that the house meets FHA minimum property standards/requirements; and
- ✔ Make sure that the property is marketable.

FHA Does Not Guarantee the Value or Condition of your Potential New Home

If you find problems with your new home after closing, FHA can not give or lend you money for repairs, and FHA can not buy the home back from you. That is why it is so important for you, the buyer, to get an independent home inspection. Ask a qualified home inspector to inspect your potential new home and give you the information you need to make a wise decision.

Radon Gas Testing

The United States Environmental Protection Agency and the Surgeon General of the United States have recommended that all houses should be tested for radon. For more information on radon testing, call the toll-free National Radon Information Line at 1-800-SOS-Radon or 1-800-767-7236. As with a home inspection, if you decide to test for radon, you may do so before signing your contract, or you may do so after signing the contract as long as your contract states the sale of the home depends on your satisfaction with the results of the radon test.

Be an Informed Buyer

It is your responsibility to be an informed buyer. Be sure that what you buy is satisfactory in every respect. You have the right to carefully examine your potential new home with a qualified home inspector. You may arrange to do so before signing your contract, or may do so after signing the contract as long as your contract states that the sale of the home depends on the inspection.

EQUAL HOUSING OPPORTUNITY

[redacted]

HUD-92564-CN (6/06)

CAUTION

Chapter

The Loan Closing

7

The last step in buying a house is the ***closing***. At the closing, you'll sign many documents, turn over your money and get the keys to your new home.

Depending on where you live, closing can be referred to as the closing or settlement day. You, as the homebuyer, must attend the closing. Others who may also be present, based on your specific circumstances, include the seller(s), your agent, the seller's agent, the lender, attorneys and a closing agent.

After you receive a commitment letter for your loan, or a notification of your approval (which may be a phone call), you can set the date for closing. The closing may be held at the lending institution, attorney's office, title company, escrow company or county courthouse, depending on local practice.

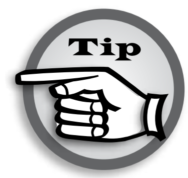
If you've locked in your rate, be sure to close before your lock expires. Don't let the lender or seller drag out the closing, especially if rates have gone up!

What to Bring to the Closing

As you prepare to attend the closing, make sure you have the following, which you'll need to bring with you:

- Cashier's or certified check for the balance of the down payment and closing costs.
- ***Homeowner's insurance*** policy and one-year prepaid receipt.
- Any other documentation required by the lender.

It's a good idea to have your cashier's or certified check made out to yourself. Then you can simply endorse the check at closing.



Who Should Close Your Loan?

You have the right to choose who represents you — an attorney or a settlement agent — at the loan closing. You also have the right to decide if that individual will represent both the seller and buyer, or just you, the buyer.

If the seller is paying your closing costs, they may expect you to use their attorney or settlement agent. As the buyer, you still have the right to make your own choice, but you'll probably have to pay the fees of whomever you choose.

If you choose to have an attorney close your loan, the attorney's paralegal will prepare all necessary documentation, based on information received from the lender's closing department. The attorney will then review the documentation and make any corrections needed. When all is ready, the attorney will personally meet with you to close the loan.

If a settlement agent handles your closing, they will have their staff attorneys review the documentation and make any corrections needed. After the staff attorneys have completed their work, then the settlement agent will meet with you to close the loan.

If you opt to have an attorney close your mortgage loan, be sure to choose one who is experienced in real estate law.

What Exactly is Title Insurance?

Title Insurance is paid for by the borrower (you) to protect the lender's financial investment.

Since the lender is putting a lien against the property as collateral for the loan, the lender wants to be certain they have clear title. So the lender requires you to buy title insurance that will safeguard the loan in the event of any errors.

Prior to closing, your attorney or settlement agent will have a title insurance company search the title to the property you are planning to buy. This search takes place at the appropriate courthouse or clerk of the court's office. Information gathered during the search becomes a written report used by the title insurance company to issue the title policy. The one-time premium for title insurance will be paid as part of your closing costs.

You have the right to choose your own title insurance company, or you can let your attorney or settlement agent handle that decision for you.

Owner's Title Insurance is also available to protect you, the homebuyer, by ensuring that the title on the property you are planning to buy is free from all defects, liens and encumbrances. There are a number of different types of policies you can choose from, and any exceptions to the policy will be provided.

Owner's title insurance is not a loan-closing requirement, but you may want to consider it to protect your investment. The one-time premium will be paid at closing.

Title insurance companies normally offer a reduced rate for a purchase made simultaneously with closing. But, you should make your decision about buying owner's title insurance prior to closing. That way, your attorney or settlement agent can review the written title report to be sure any difficulties uncovered during the search have been resolved and, if not, that they're covered in the homeowner's title insurance policy.

Expect to pay between $175 to $300 for a title search and title insurance.

What Legal Documents Will You Need to Sign?

There are numerous legal documents that will be prepared for your review and signature. Let's take a look at some of the most important ones.

Deed: This is the legal document used to transfer ownership of real property. Specifically, the ***deed***:

- Conveys title from the seller to the buyer.
- Is recorded in the local circuit clerk's office.
- Is prepared by the seller's attorney or settlement agent.

Make sure the deed is properly signed and notarized.

Before the deed is prepared, you, as the borrower, must decide how you want to take title to the property on the deed. There are four ways to hold title:

- **Sole, Separate, Equitable Estate** indicates you are the only owner of the property.
- **Tenancy by the entirety with the right of survivorship** is available only to married couples. With this type of title, when one spouse dies, the property automatically goes to the surviving spouse. Only creditors of both husband and wife can attach liens to the property via a judgment.

- **Joint tenancy with right of survivorship** is available to buyers other than husband and wife. With this type of title, when one owner dies, the surviving owner automatically gets the deceased owner's share in the property.
- **Tenancy in common** recognizes the property is owned jointly, but states that if one owner dies, the deceased owner's share goes to his or her heirs rather than the surviving owner.

In addition to the deed, you'll be signing several other important documents, including:

Deed of Trust Note: This is your promise to pay. The ***Deed of Trust Note*** also spells out the terms under which you're borrowing the money to purchase the house, including:

- Loan amount
- Date on which payments must be made
- Interest rate
- Term
- Late payment penalties
- Prepayment
- Default procedures

Mortgage or Deed of Trust: This is a lien against your house held by the lender. The ***mortgage*** secures payment of the note and spells out what happens should the terms of the note not be met. Specifically, it allows the lender to accelerate the debt and foreclose on the property in the event of default.

Settlement Statement or HUD-1: This document itemizes all the costs related to the transaction. The ***settlement statement*** indicates which party (buyer or seller) is responsible for payment of each item, and summarizes the amount of money that you owe and the amount due to the seller at closing. Both buyer and seller are required to sign this document.

Tip

You may request a copy of your HUD-1 from your attorney or settlement agent before closing. You may also want to get an updated copy of the Good Faith Estimate from your loan originator just prior to closing. Then you can more easily compare the Good Faith Estimate with the Settlement Statement to make sure all fees were disclosed at the time of your loan application. If there is a difference, bring it to the attention of your loan originator and your attorney or settlement agent.

Compliance agreement. This states you'll agree to re-sign documents if any error is made.

Affidavits. These may be required by state law or by the lender. For example, you may have to sign an affidavit stating that you'll use the property as your primary residence.

IRS Forms. These include any forms required by the IRS to buy a home.

Other Documents. These state you haven't been declared mentally incompetent, you're over 18, you're still employed at the same place, etc.

Often there isn't enough time to read documents in their entirety at closing. If you want to read them thoroughly before signing, ask your attorney to have them prepared and ready for you a day in advance.

You can review a sample deed, note, deed of trust and settlement statement at the end of this chapter.

The Final Walk-Through Before Closing

Your contract should have a clause allowing you to examine the property within 24 hours prior to closing. The final walk-through allows you inspect the home to make sure the seller has:

- Vacated the property.
- Left behind any items negotiated in the contract (window treatments, appliances, etc.).
- Not done any damage to the property.

Before you go to the walk-through, take time to review your sales contract. Make a checklist of items specifically listed in the contract as part of the sale. Be sure to include those things that were important to you, such as the dining room ceiling fan or other mounted fixtures. During the walk-through, check off each item as you see it.

Typically, your real estate agent will accompany you on this inspection. During the walk-through, any deficiencies should be noted. If you find the sellers have taken things that should have been left in the house, according to the sales contract, let your real estate agent handle it. Also, look for any damages or defects that were previously covered by the seller's furniture, rugs or wall decorations.

If you find a problem, such as something missing or damaged, discuss the situation with your real estate agent. If the problem is minor, you may decide to ignore it so that it doesn't potentially delay the closing. If the problem is major, your response may depend on whether it was disclosed at the time of the sale.

If the problem was disclosed, but can't (or won't) be corrected before settlement, then the attorney or settlement agent may withhold funds from the seller to cover the cost of the agreed-upon repairs. If the problem was not disclosed, then talk with your real estate agent or attorney. You may have legal recourse.

Alert

Never buy a house without a final walk-through. If necessary, delay the closing to get your walk-through.

Closing Day

It's finally here — the day you've been dreaming of. If you can, take the entire day off from work so you won't have to be concerned about getting back to the job. Even without problems, the closing process may take longer than anticipated.

Your attorney or settlement agent should have let you know in advance the amount of money you'll need for closing. You must make sure your money is available in advance of closing, and that it is ***collected funds***. Collected funds means that the financial instrument (such as a check or wire transfer) offered at time of settlement is as good as cash.

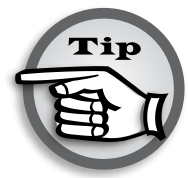
Make arrangements to have your bank or credit union do one of the following:

- Prepare a cashier's check with money debited from your account.
- Wire the money to the bank of the attorney or settlement agent.

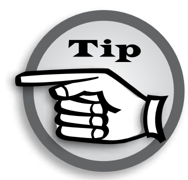
Personal checks are usually not acceptable at closing.

You'll be given copies of all the documents you sign. These are important papers and should be kept together in a safe place. When you sell the house, you'll want to have this information available to review.

After all the papers have been signed, the attorney or settlement agent will give you the keys to your new home! Congratulations, you are now a homeowner.



If possible, don't have your move scheduled for the same day as your closing. Moving a few days later gives you time to clean your new home's interior.



Be sure to get any mailbox keys, garage door openers and other special keys that go with the property. The seller might forget these, but you'll be glad you remembered when the time comes to pick up your mail or put your car in the garage!

Closing Your Loan Quiz

True or False Questions (Answers found on page 124.)

1. A title search is performed to make certain there is a clear title.

❑ True ❑ False

2. Buyers have to use the seller's closing agent.

❑ True ❑ False

3. In case of non-payment of mortgage, the Deed of Trust is the document used to foreclose on the property.

❑ True ❑ False

4. The Deed is a legal document that transfers ownership to the new owner.

❑ True ❑ False

5. The Deed is recorded in the local circuit clerk's office.

❑ True ❑ False

6. The Deed of Trust is the legal document that secures the Note.

❑ True ❑ False

7. The mortgage lender requires the buyer to purchase Lender's Title Insurance.

❑ True ❑ False

8. The mortgage lender requires the buyer to purchase Homeowners Title Insurance.

❑ True ❑ False

9. The Deed of Trust Note is the borrower's promise to pay.

❑ True ❑ False

10. The Deed of Trust Note reflects the terms of the loan.

❑ True ❑ False

11. The settlement is also known as the HUD-1.

❑ True ❑ False

12. There is an upfront premium for Title Insurance, paid at closing, as well as a monthly premium.

❑ True ❑ False

13. Title Insurance covers the lender and the borrower.

❑ True ❑ False

14. You may get a reduced rate for Homeowners Title Insurance if you purchase it simultaneous to closing.

❑ True ❑ False

Multiple Choice Question (Answer found below.)

15. The document that itemizes all of the costs related to the mortgage transaction is:

❑ Deed of Trust ❑ Note ❑ Deed ❑ None of these

Answers to the Closing Your Loan Quiz

True or False

1. True	**5.** True	**9.** True	**13.** False
2. False	**6.** True	**10.** True	**14.** True
3. True	**7.** True	**11.** True	
4. True	**8.** False	**12.** False	

Multiple Choice

15. None of these

Forms Discussed in this Chapter

On the following pages, you'll find samples of the:

- Deed
- Deed of Trust Note
- Deed of Trust
- Settlement Statement

Deed

THIS DEED WAS PREPARED BY ABC ATTORNEY, ESQUIRE

PARCEL IDENTIFICATION NUMBER (PIN): 1A-3-189

THIS DEED OF BARGAIN AND SALE made this 8th day of June 2003, by and between **Robert Seller** and **Rhonda Seller**, Grantors, and **Joe Homeowner** and **Jean Homeowner, husband and wife,** Grantees.

WITNESSETH:

THAT for and in consideration of the sum of Ten Dollars ($10.00) and other good and valuable consideration, the receipt whereof is hereby acknowledged, the said Grantor does grant and convey, with GENERAL WARRANTY and with ENGLISH COVENANTS of title unto the said Grantee, as tenants by the entirety with the right of survivorship as at common law, the following described real estate, to-wit:

SEE ATTACHED SCHEDULE "A"

THIS conveyance is made subject to such covenants, restrictions, and conditions and easements of record as may lawfully affect said property.

WITNESS the following signature and seal:

By:__________________________(SEAL)
Seller

By:__________________________(SEAL)
Seller

STATE OF VIRGINIA

CITY OF RICHMOND, to wit:

The foregoing deed was acknowledged before me this ____ day of ___________, 2003, by Robert Seller.

My Commission Expires:

____
Notary Public

STATE OF VIRGINIA

CITY OF RICHMOND, to wit:

The foregoing deed was acknowledged before me this ____ day of ___________, 2003, by Rhonda Seller.

My Commission Expires:

____
Notary Public

GRANTEES ADDRESS:

123 Main Street
Anytown, VA 10000

Commonwealth of Virginia

NOTE

FHA Case No.

[Date]

[Property Address]

1. PARTIES

"Borrower" means each person signing at the end of this Note, and the person's successors and assigns. "Lender" means

Virginia Housing Development Authority

and its successors and assigns.

2. BORROWER'S PROMISE TO PAY; INTEREST

In return for a loan received from Lender, Borrower promises to pay the principal sum of

Dollars (U.S. $), plus interest, to the order of Lender. Interest will be charged on unpaid principal, from the date of disbursement of the loan proceeds by Lender, at the rate of
percent (%) per year until the full amount of principal has been paid.

3. PROMISE TO PAY SECURED

Borrower's promise to pay is secured by a mortgage, deed of trust or similar security instrument that is dated the same date as this Note and called the "Security Instrument." The Security Instrument protects the Lender from losses which might result if Borrower defaults under this Note.

4. MANNER OF PAYMENT

(A) Time

Borrower shall make a payment of principal and interest to Lender on the first day of each month beginning on . Any principal and interest remaining on the first day of , will be due on that date, which is called the "Maturity Date."

(B) Place

Payment shall be made at 601 S. Belvidere Street, Richmond, Virginia 23220 or at such place as Lender may designate in writing by notice to Borrower.

(C) Amount

Each monthly payment of principal and interest will be in the amount of U.S. $. This amount will be part of a larger monthly payment required by the Security Instrument, that shall be applied to principal, interest and other items in the order described in the Security Instrument.

(D) Allonge to this Note for payment adjustments

If an allonge providing for payment adjustments is executed by Borrower together with this Note, the covenants of the allonge shall be incorporated into and shall amend and supplement the covenants of this Note as if the allonge were a part of this Note. [Check applicable box]

☐ Graduated Payment Allonge ☐ Growing Equity Allonge ☐ Other [specify]

5. BORROWER'S RIGHT TO PREPAY

Borrower has the right to pay the debt evidenced by this Note, in whole or in part, without charge or penalty, on the first day of any month. Lender shall accept prepayment on other days provided that Borrower pays interest on the amount prepaid for the remainder of the month to the extent required by Lender and permitted by regulations of the Secretary. If Borrower makes a partial prepayment, there will be no changes in the due date or in the amount of the monthly payment unless Lender agrees in writing to those changes.

6. BORROWER'S FAILURE TO PAY

(A) Late Charge for Overdue Payments

If Lender has not received the full monthly payment required by the Security Instrument, as described in Paragraph 4(C) of this Note, by the end of fifteen calendar days after the payment is due, Lender may collect a late charge in the amount of Four percent (4.000 %) of the overdue amount of each payment.

(B) Default

If Borrower defaults by failing to pay in full any monthly payment, then Lender may, except as limited by regulations of the Secretary in the case of payment defaults, require immediate payment in full of the principal balance remaining due and all accrued interest. Lender may choose not to exercise this option without waiving its rights in the event of any subsequent default. In many circumstances regulations issued by the Secretary will limit Lender's rights to require immediate payment in full in the case of payment defaults. This Note does not authorize acceleration when not permitted by HUD regulations. As used in this Note, "Secretary" means the Secretary of Housing and Urban Development or his or her designee.

(C) Payment of Costs and Expenses

If Lender has required immediate payment in full, as described above, Lender may require Borrower to pay costs and expenses including reasonable and customary attorneys' fees for enforcing this Note to the extent not prohibited by applicable law. Such fees and costs shall bear interest from the date of disbursement at the same rate as the principal of this Note.

7. WAIVERS

Borrower and any other person who has obligations under this Note waive the rights of presentment and notice of dishonor and waive the homestead exemption. "Presentment" means the right to require Lender to demand payment of amounts due. "Notice of dishonor" means the right to require Lender to give notice to other persons that amounts due have not been paid.

8. GIVING OF NOTICES

Unless applicable law requires a different method, any notice that must be given to Borrower under this Note will be given by delivering it or by mailing it by first class mail to Borrower at the property address above or at a different address if Borrower has given Lender a notice of Borrower's different address.

Any notice that must be given to Lender under this Note will be given by first class mail to Lender at the address stated in Paragraph 4(B) or at a different address if Borrower is given a notice of that different address.

9. OBLIGATIONS OF PERSONS UNDER THIS NOTE

If more than one person signs this Note, each person is fully and personally obligated to keep all of the promises made in this Note, including the promise to pay the full amount owed. Any person who is a guarantor, surety or endorser of this Note is also obligated to do these things. Any person who takes over these obligations, including the obligations of a guarantor, surety or endorser of this Note, is also obligated to keep all of the promises made in this Note. Lender may enforce its rights under this Note against each person individually or against all signatories together. Any one person signing this Note may be required to pay all of the amounts owed under this Note.

BY SIGNING BELOW, Borrower accepts and agrees to the terms and covenants contained in this Note.

____________________ (Seal)
-Borrower

____________________ (Seal)
-Borrower

____________________ (Seal)
-Borrower

____________________ (Seal)
-Borrower

____________________ (Seal)
-Borrower

____________________ (Seal)
-Borrower

____________________ (Seal)
-Borrower

____________________ (Seal)
-Borrower

[Sign Original Only]

This is to certify that this is the Note described in and secured by a Deed of Trust dated , on the Property located in , Virginia.

My Commission Expires: ____________________
Notary Public

Return To:

Tax Map Reference #:

RPC/Parcel ID #:

Prepared by:

[Space Above This Line For Recording Data]

Commonwealth of Virginia

DEED OF TRUST

FHA Case No.

THIS DEED OF TRUST ("Security Instrument") is made on . The Grantor is

("Borrower"). The trustee is J. JUDSON MCKELLAR, JR. , a resident of the Commonwealth of Virginia, whose full residence or business address is 601 S. BELVIDERE STREET RICHMOND, VIRGINIA 23220 , and DONALD L. RITENOUR , a resident of the Commonwealth of Virginia, whose full residence or business address is 601 S. BELVIDERE STREET RICHMOND, VIRGINIA 23220 trustees (any one of whom may act and who are referred to as "Trustee"). The beneficiary is VIRGINIA HOUSING DEVELOPMENT AUTHORITY, a political subdivision of the Commonwealth of Virginia, , which is organized and existing under the laws of Commonwealth of Virginia , and whose whose address is 601 S. BELVIDERE STREET RICHMOND, VIRGINIA 23220 ("Lender"). Borrower owes Lender the principal sum of

Dollars (U.S. $). This debt is evidenced by Borrower's note dated the same date as this Security Instrument ("Note"),

which provides for monthly payments, with the full debt, if not paid earlier, due and payable on . This Security Instrument secures to Lender: (a) the repayment of the debt evidenced by the Note, with interest, and all renewals, extensions and modifications of the Note; (b) the payment of all other sums, with interest, advanced under paragraph 7 to protect the security of this Security Instrument; and (c) the performance of Borrower's covenants and agreements under this Security Instrument and the Note. For this purpose, Borrower irrevocably grants and conveys to the Trustee, in trust, with power of sale, the following described property located in ,
Virginia:

which has the address of [Street]
[City], Virginia [Zip Code]

("Property Address");

TOGETHER WITH all the improvements now or hereafter erected on the property, and all easements, appurtenances and fixtures now or hereafter a part of the property. All replacements and additions shall also be covered by this Security Instrument. All of the foregoing is referred to in this Security Instrument as the "Property."

BORROWER COVENANTS that Borrower is lawfully seized of the estate hereby conveyed and has the right to grant and convey the Property and that the Property is unencumbered, except for encumbrances of record. Borrower warrants and will defend generally the title to the Property against all claims and demands, subject to any encumbrances of record.

THIS SECURITY INSTRUMENT combines uniform covenants for national use and non-uniform covenants with limited variations by jurisdiction to constitute a uniform security instrument covering real property.

Borrower and Lender covenant and agree as follows:

UNIFORM COVENANTS.

1. Payment of Principal, Interest and Late Charge. Borrower shall pay when due the principal of, and interest on, the debt evidenced by the Note and late charges due under the Note.

2. Monthly Payment of Taxes, Insurance and Other Charges. Borrower shall include in each monthly payment, together with the principal and interest as set forth in the Note and any late charges, a sum for (a) taxes and special assessments levied or to be levied against the Property, (b) leasehold payments or ground rents on the Property, and (c) premiums for insurance required under paragraph 4. In any year in which the Lender must pay a mortgage insurance premium to the Secretary of Housing and Urban Development ("Secretary"), or in any year in which such premium would have been required if Lender still held the Security Instrument, each monthly payment shall also include either: (i) a sum for the annual mortgage insurance premium to be paid by Lender to the Secretary, or (ii) a monthly charge instead of a mortgage insurance premium if this Security Instrument is held by the Secretary, in a reasonable amount to be determined by the Secretary. Except for the monthly charge by the Secretary, these items are called "Escrow Items" and the sums paid to Lender are called "Escrow Funds."

Lender may, at any time, collect and hold amounts for Escrow Items in an aggregate amount not to exceed the maximum amount that may be required for Borrower's escrow account under the Real Estate Settlement Procedures Act of 1974, 12 U.S.C. Section 2601 *et seq.* and implementing regulations, 24 CFR

Initials: ___________

Part 3500, as they may be amended from time to time ("RESPA"), except that the cushion or reserve permitted by RESPA for unanticipated disbursements or disbursements before the Borrower's payments are available in the account may not be based on amounts due for the mortgage insurance premium.

If the amounts held by Lender for Escrow Items exceed the amounts permitted to be held by RESPA, Lender shall account to Borrower for the excess funds as required by RESPA. If the amounts of funds held by Lender at any time are not sufficient to pay the Escrow Items when due, Lender may notify the Borrower and require Borrower to make up the shortage as permitted by RESPA.

The Escrow Funds are pledged as additional security for all sums secured by this Security Instrument. If Borrower tenders to Lender the full payment of all such sums, Borrower's account shall be credited with the balance remaining for all installment items (a), (b), and (c) and any mortgage insurance premium installment that Lender has not become obligated to pay to the Secretary, and Lender shall promptly refund any excess funds to Borrower. Immediately prior to a foreclosure sale of the Property or its acquisition by Lender, Borrower's account shall be credited with any balance remaining for all installments for items (a), (b), and (c).

3. Application of Payments. All payments under paragraphs 1 and 2 shall be applied by Lender as follows:

First, to the mortgage insurance premium to be paid by Lender to the Secretary or to the monthly charge by the Secretary instead of the monthly mortgage insurance premium;

Second, to any taxes, special assessments, leasehold payments or ground rents, and fire, flood and other hazard insurance premiums, as required;

Third, to interest due under the Note;

Fourth, to amortization of the principal of the Note; and

Fifth, to late charges due under the Note.

4. Fire, Flood and Other Hazard Insurance. Borrower shall insure all improvements on the Property, whether now in existence or subsequently erected, against any hazards, casualties, and contingencies, including fire, for which Lender requires insurance. This insurance shall be maintained in the amounts and for the periods that Lender requires. Borrower shall also insure all improvements on the Property, whether now in existence or subsequently erected, against loss by floods to the extent required by the Secretary. All insurance shall be carried with companies approved by Lender. The insurance policies and any renewals shall be held by Lender and shall include loss payable clauses in favor of, and in a form acceptable to, Lender.

In the event of loss, Borrower shall give Lender immediate notice by mail. Lender may make proof of loss if not made promptly by Borrower. Each insurance company concerned is hereby authorized and directed to make payment for such loss directly to Lender, instead of to Borrower and to Lender jointly. All or any part of the insurance proceeds may be applied by Lender, at its option, either (a) to the reduction of the indebtedness under the Note and this Security Instrument, first to any delinquent amounts applied in the order in paragraph 3, and then to prepayment of principal, or (b) to the restoration or repair of the damaged Property. Any application of the proceeds to the principal shall not extend or postpone the due date of the monthly payments which are referred to in paragraph 2, or change the amount of such payments. Any excess insurance proceeds over an amount required to pay all outstanding indebtedness under the Note and this Security Instrument shall be paid to the entity legally entitled thereto.

In the event of foreclosure of this Security Instrument or other transfer of title to the Property that extinguishes the indebtedness, all right, title and interest of Borrower in and to insurance policies in force shall pass to the purchaser.

5. Occupancy, Preservation, Maintenance and Protection of the Property; Borrower's Loan Application; Leaseholds. Borrower shall occupy, establish, and use the Property as Borrower's principal residence within sixty days after the execution of this Security Instrument (or within sixty days of a later sale or transfer of the Property) and shall continue to occupy the Property as Borrower's principal residence for at least one year after the date of occupancy, unless Lender determines that requirement will cause undue hardship for Borrower, or unless extenuating circumstances exist which are beyond Borrower's control. Borrower

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shall notify Lender of any extenuating circumstances. Borrower shall not commit waste or destroy, damage or substantially change the Property or allow the Property to deteriorate, reasonable wear and tear excepted. Lender may inspect the Property if the Property is vacant or abandoned or the loan is in default. Lender may take reasonable action to protect and preserve such vacant or abandoned Property. Borrower shall also be in default if Borrower, during the loan application process, gave materially false or inaccurate information or statements to Lender (or failed to provide Lender with any material information) in connection with the loan evidenced by the Note, including, but not limited to, representations concerning Borrower's occupancy of the Property as a principal residence. If this Security Instrument is on a leasehold, Borrower shall comply with the provisions of the lease. If Borrower acquires fee title to the Property, the leasehold and fee title shall not be merged unless Lender agrees to the merger in writing.

6. Condemnation. The proceeds of any award or claim for damages, direct or consequential, in connection with any condemnation or other taking of any part of the Property, or for conveyance in place of condemnation, are hereby assigned and shall be paid to Lender to the extent of the full amount of the indebtedness that remains unpaid under the Note and this Security Instrument. Lender shall apply such proceeds to the reduction of the indebtedness under the Note and this Security Instrument, first to any delinquent amounts applied in the order provided in paragraph 3, and then to prepayment of principal. Any application of the proceeds to the principal shall not extend or postpone the due date of the monthly payments, which are referred to in paragraph 2, or change the amount of such payments. Any excess proceeds over an amount required to pay all outstanding indebtedness under the Note and this Security Instrument shall be paid to the entity legally entitled thereto.

7. Charges to Borrower and Protection of Lender's Rights in the Property. Borrower shall pay all governmental or municipal charges, fines and impositions that are not included in paragraph 2. Borrower shall pay these obligations on time directly to the entity which is owed the payment. If failure to pay would adversely affect Lender's interest in the Property, upon Lender's request Borrower shall promptly furnish to Lender receipts evidencing these payments.

If Borrower fails to make these payments or the payments required by paragraph 2, or fails to perform any other covenants and agreements contained in this Security Instrument, or there is a legal proceeding that may significantly affect Lender's rights in the Property (such as a proceeding in bankruptcy, for condemnation or to enforce laws or regulations), then Lender may do and pay whatever is necessary to protect the value of the Property and Lender's rights in the Property, including payment of taxes, hazard insurance and other items mentioned in paragraph 2.

Any amounts disbursed by Lender under this paragraph shall become an additional debt of Borrower and be secured by this Security Instrument. These amounts shall bear interest from the date of disbursement, at the Note rate, and at the option of Lender, shall be immediately due and payable.

Borrower shall promptly discharge any lien which has priority over this Security Instrument unless Borrower: (a) agrees in writing to the payment of the obligation secured by the lien in a manner acceptable to Lender; (b) contests in good faith the lien by, or defends against enforcement of the lien in, legal proceedings which in the Lender's opinion operate to prevent the enforcement of the lien; or (c) secures from the holder of the lien an agreement satisfactory to Lender subordinating the lien to this Security Instrument. If Lender determines that any part of the Property is subject to a lien which may attain priority over this Security Instrument, Lender may give Borrower a notice identifying the lien. Borrower shall satisfy the lien or take one or more of the actions set forth above within 10 days of the giving of notice.

8. Fees. Lender may collect fees and charges authorized by the Secretary.

9. Grounds for Acceleration of Debt.

(a) Default. Lender may, except as limited by regulations issued by the Secretary, in the case of payment defaults, require immediate payment in full of all sums secured by this Security Instrument if:

(i) Borrower defaults by failing to pay in full any monthly payment required by this Security Instrument prior to or on the due date of the next monthly payment, or

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(ii) Borrower defaults by failing, for a period of thirty days, to perform any other obligations contained in this Security Instrument.

(b) Sale Without Credit Approval. Lender shall, if permitted by applicable law (including Section 341(d) of the Garn-St. Germain Depository Institutions Act of 1982, 12 U.S.C. 1701j-3(d)) and with the prior approval of the Secretary, require immediate payment in full of all sums secured by this Security Instrument if:

(i) All or part of the Property, or a beneficial interest in a trust owning all or part of the Property, is sold or otherwise transferred (other than by devise or descent), and

(ii) The Property is not occupied by the purchaser or grantee as his or her principal residence, or the purchaser or grantee does so occupy the Property but his or her credit has not been approved in accordance with the requirements of the Secretary.

(c) No Waiver. If circumstances occur that would permit Lender to require immediate payment in full, but Lender does not require such payments, Lender does not waive its rights with respect to subsequent events.

(d) Regulations of HUD Secretary. In many circumstances regulations issued by the Secretary will limit Lender's rights, in the case of payment defaults, to require immediate payment in full and foreclose if not paid. This Security Instrument does not authorize acceleration or foreclosure if not permitted by regulations of the Secretary.

(e) Mortgage Not Insured. Borrower agrees that if this Security Instrument and the Note are not determined to be eligible for insurance under the National Housing Act within 60 days from the date hereof, Lender may, at its option, require immediate payment in full of all sums secured by this Security Instrument. A written statement of any authorized agent of the Secretary dated subsequent to 60 days from the date hereof, declining to insure this Security Instrument and the Note, shall be deemed conclusive proof of such ineligibility. Notwithstanding the foregoing, this option may not be exercised by Lender when the unavailability of insurance is solely due to Lender's failure to remit a mortgage insurance premium to the Secretary.

10. Reinstatement. Borrower has a right to be reinstated if Lender has required immediate payment in full because of Borrower's failure to pay an amount due under the Note or this Security Instrument. This right applies even after foreclosure proceedings are instituted. To reinstate the Security Instrument, Borrower shall tender in a lump sum all amounts required to bring Borrower's account current including, to the extent they are obligations of Borrower under this Security Instrument, foreclosure costs and reasonable and customary attorneys' fees and expenses properly associated with the foreclosure proceeding. Upon reinstatement by Borrower, this Security Instrument and the obligations that it secures shall remain in effect as if Lender had not required immediate payment in full. However, Lender is not required to permit reinstatement if: (i) Lender has accepted reinstatement after the commencement of foreclosure proceedings within two years immediately preceding the commencement of a current foreclosure proceeding, (ii) reinstatement will preclude foreclosure on different grounds in the future, or (iii) reinstatement will adversely affect the priority of the lien created by this Security Instrument.

11. Borrower Not Released; Forbearance By Lender Not a Waiver. Extension of the time of payment or modification of amortization of the sums secured by this Security Instrument granted by Lender to any successor in interest of Borrower shall not operate to release the liability of the original Borrower or Borrower's successor in interest. Lender shall not be required to commence proceedings against any successor in interest or refuse to extend time for payment or otherwise modify amortization of the sums secured by this Security Instrument by reason of any demand made by the original Borrower or Borrower's successors in interest. Any forbearance by Lender in exercising any right or remedy shall not be a waiver of or preclude the exercise of any right or remedy.

12. Successors and Assigns Bound; Joint and Several Liability; Co-Signers. The covenants and agreements of this Security Instrument shall bind and benefit the successors and assigns of Lender and Borrower, subject to the provisions of paragraph 9(b). Borrower's covenants and agreements shall be joint

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and several. Any Borrower who co-signs this Security Instrument but does not execute the Note: (a) is co-signing this Security Instrument only to mortgage, grant and convey that Borrower's interest in the Property under the terms of this Security Instrument; (b) is not personally obligated to pay the sums secured by this Security Instrument; and (c) agrees that Lender and any other Borrower may agree to extend, modify, forbear or make any accommodations with regard to the terms of this Security Instrument or the Note without that Borrower's consent.

13. Notices. Any notice to Borrower provided for in this Security Instrument shall be given by delivering it or by mailing it by first class mail unless applicable law requires use of another method. The notice shall be directed to the Property Address or any other address Borrower designates by notice to Lender. Any notice to Lender shall be given by first class mail to Lender's address stated herein or any address Lender designates by notice to Borrower. Any notice provided for in this Security Instrument shall be deemed to have been given to Borrower or Lender when given as provided in this paragraph.

14. Governing Law; Severability. This Security Instrument shall be governed by Federal law and the law of the jurisdiction in which the Property is located. In the event that any provision or clause of this Security Instrument or the Note conflicts with applicable law, such conflict shall not affect other provisions of this Security Instrument or the Note which can be given effect without the conflicting provision. To this end the provisions of this Security Instrument and the Note are declared to be severable.

15. Borrower's Copy. Borrower shall be given one conformed copy of the Note and of this Security Instrument.

16. Hazardous Substances. Borrower shall not cause or permit the presence, use, disposal, storage, or release of any Hazardous Substances on or in the Property. Borrower shall not do, nor allow anyone else to do, anything affecting the Property that is in violation of any Environmental Law. The preceding two sentences shall not apply to the presence, use, or storage on the Property of small quantities of Hazardous Substances that are generally recognized to be appropriate to normal residential uses and to maintenance of the Property.

Borrower shall promptly give Lender written notice of any investigation, claim, demand, lawsuit or other action by any governmental or regulatory agency or private party involving the Property and any Hazardous Substance or Environmental Law of which Borrower has actual knowledge. If Borrower learns, or is notified by any governmental or regulatory authority, that any removal or other remediation of any Hazardous Substances affecting the Property is necessary, Borrower shall promptly take all necessary remedial actions in accordance with Environmental Law.

As used in this paragraph 16, "Hazardous Substances" are those substances defined as toxic or hazardous substances by Environmental Law and the following substances: gasoline, kerosene, other flammable or toxic petroleum products, toxic pesticides and herbicides, volatile solvents, materials containing asbestos or formaldehyde, and radioactive materials. As used in this paragraph 16, "Environmental Law" means federal laws and laws of the jurisdiction where the Property is located that relate to health, safety or environmental protection.

NON-UNIFORM COVENANTS. Borrower and Lender further covenant and agree as follows:

17. Assignment of Rents. Borrower unconditionally assigns and transfers to Lender all the rents and revenues of the Property. Borrower authorizes Lender or Lender's agents to collect the rents and revenues and hereby directs each tenant of the Property to pay the rents to Lender or Lender's agents. However, prior to Lender's notice to Borrower of Borrower's breach of any covenant or agreement in the Security Instrument, Borrower shall collect and receive all rents and revenues of the Property as trustee for the benefit of Lender and Borrower. This assignment of rents constitutes an absolute assignment and not an assignment for additional security only.

If Lender gives notice of breach to Borrower: (a) all rents received by Borrower shall be held by Borrower as trustee for benefit of Lender only, to be applied to the sums secured by the Security Instrument; (b) Lender shall be entitled to collect and receive all of the rents of the Property; and (c) each tenant of the Property shall pay all rents due and unpaid to Lender or Lender's agent on Lender's written demand to the tenant.

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Borrower has not executed any prior assignment of the rents and has not and will not perform any act that would prevent Lender from exercising its rights under this paragraph 17.

Lender shall not be required to enter upon, take control of or maintain the Property before or after giving notice of breach to Borrower. However, Lender or a judicially appointed receiver may do so at any time there is a breach. Any application of rents shall not cure or waive any default or invalidate any other right or remedy of Lender. This assignment of rents of the Property shall terminate when the debt secured by the Security Instrument is paid in full.

18. Foreclosure Procedure. If Lender requires immediate payment in full under paragraph 9, Lender may invoke the power of sale and any other remedies permitted by applicable law. Lender shall be entitled to collect all expenses incurred in pursuing the remedies provided in this paragraph 18, including, but not limited to, reasonable attorneys' fees and costs of title evidence.

If Lender invokes the power of sale, Lender or Trustee shall give to Borrower (and owner of the Property, if a different person) notice of sale in the manner prescribed by applicable law. Trustee shall give public notice of sale by advertising, in accordance with applicable law, once a week for two successive weeks in a newspaper having general circulation in the county or city in which any part of the Property is located, and by such additional or any different form of advertisement the Trustee deems advisable. Trustee may sell the Property on the eighth day after the first advertisement or any day thereafter, but not later than 30 days following the last advertisement. Trustee, without demand on Borrower, shall sell the Property at public auction to the highest bidder at the time and place and under the terms designated in the notice of sale in one or more parcels and in any order Trustee determines. Trustee may postpone sale of all or any parcel of the Property by advertising in accordance with applicable law. Lender or its designee may purchase the Property at any sale.

Trustee shall deliver to the purchaser Trustee's deed conveying the Property with special warranty of title. The recitals in the Trustee's deed shall be prima facie evidence of the truth of the statements made therein. Trustee shall apply the proceeds of the sale in the following order: (a) to all expenses of the sale, including, but not limited to, Trustee's fees of 5.000 **% of the gross sale price and reasonable attorneys' fees; (b) to the discharge of all taxes, levies and assessments on the Property, if any, as provided by applicable law; (c) to all sums secured by this Security Instrument; and (d) any excess to the person or persons legally entitled to it. Trustee shall not be required to take possession of the Property prior to the sale thereof or to deliver possession of the Property to the purchaser at the sale.**

If the Lender's interest in this Security Instrument is held by the Secretary and the Secretary requires immediate payment in full under Paragraph 9, the Secretary may invoke the nonjudicial power of sale provided in the Single Family Mortgage Foreclosure Act of 1994 ("Act") (12 U.S.C. 3751 ***et seq.*****) by requesting a foreclosure commissioner designated under the Act to commence foreclosure and to sell the Property as provided in the Act. Nothing in the preceding sentence shall deprive the Secretary of any rights otherwise available to a Lender under this Paragraph 18 or applicable law.**

19. Release. Upon payment of all sums secured by this Security Instrument, Lender shall request Trustee to release this Security Instrument and shall surrender all notes evidencing debt secured by this Security Instrument to Trustee. Trustee shall release this Security Instrument without charge to Borrower. Borrower shall pay any recordation costs.

20. Substitute Trustee. Lender, at its option, may from time to time remove Trustee and appoint a successor trustee to any Trustee appointed hereunder. Without conveyance of the Property, the successor trustee shall succeed to all the title, power and duties conferred upon Trustee herein and by applicable law.

21. Identification of Note. The Note is identified by a certificate on the Note executed by any Notary Public who certifies an acknowledgment hereto.

22. Riders to this Security Instrument. If one or more riders are executed by Borrower and recorded together with this Security Instrument, the covenants of each such rider shall be incorporated into and shall amend and supplement the covenants and agreements of this Security Instrument as if the rider(s) were a part of this Security Instrument. [Check applicable box(es)].

☐ Condominium Rider	☐ Growing Equity Rider	☐ Other [specify]
☐ Planned Unit Development Rider	☐ Graduated Payment Rider	Tax-Exempt Financing Rider

Initials: ___________

NOTICE: THE DEBT SECURED HEREBY IS SUBJECT TO CALL IN FULL OR THE TERMS THEREOF BEING MODIFIED IN THE EVENT OF SALE OR CONVEYANCE OF THE PROPERTY CONVEYED.

BY SIGNING BELOW, Borrower accepts and agrees to the terms contained in this Security Instrument and in any rider(s) executed by Borrower and recorded with it.
Witnesses:

______________________________ ______________________________(Seal)
-Borrower

______________________________ ______________________________(Seal)
-Borrower

______________________________(Seal) ______________________________(Seal)
-Borrower -Borrower

______________________________(Seal) ______________________________(Seal)
-Borrower -Borrower

______________________________(Seal) ______________________________(Seal)
-Borrower -Borrower

COMMONWEALTH OF VIRGINIA, **County, ss:**
The foregoing instrument was acknowledged before me this
by

.

My Commission Expires: ______________________________
Notary Public

FHA Case No.

TAX-EXEMPT FINANCING RIDER

THIS TAX-EXEMPT FINANCING RIDER is made this day of , and is incorporated into and shall be deemed to amend and supplement the Mortgage, Deed of Trust or Security Deed ("Security Instrument") of the same date given by the undersigned ("Borrower") to secure Borrower's Note ("Note") to Virginia Housing Development Authority of the same date and covering the property described in the Security Instrument and located at:

[Property Address]

ADDITIONAL COVENANTS:

In addition to the covenants and agreements made in the Security Instrument, Borrower and Lender further covenant and agree to amend Paragraph 9 of the Security Instrument entitled "Grounds for Acceleration of Debt" by adding additional grounds for acceleration as follows:

Lender, or such of its successors or assigns as may by separate instrument assume responsibility for assuring compliance by the Borrower with the provisions of this Tax-Exempt Financing Rider, may require immediate payment in full of all sums secured by this Security Instrument if:

(a) All or part of the Property is sold or otherwise transferred by Borrower to a purchaser or other transferee:

(i) Who cannot reasonably be expected to occupy the property as a principal residence within a reasonable time after the sale or transfer, all as provided in Section 143(c) and (i)(2) of the Internal Revenue Code; or

(ii) Who has had a present ownership interest in a principal residence during any part of the three-year period ending on the date of the sale or transfer, all as provided in Section 143(d) and (i)(2) of the Internal Revenue Code (except that "100 percent" shall be substituted for "95 percent or more" where the latter appears in Section 143(d)(1)); or

(iii) At an acquisition cost which is greater than 90 percent of the average area purchase price (greater than 110 percent for targeted area residences), all as provided in Section 143(e) and (1)(2) of the Internal Revenue Code; or

(iv) Who has an income in excess of that established by the Lender under its applicable regulations or program guidelines in effect on the date of the sale or transfer; or

(b) Borrower fails to occupy the property described in the Security Instrument without prior written consent of Lender or its successors or assigns described at the beginning of this Tax-Exempt Financing Rider, or

(c) Borrower omits or misrepresents a fact that is material with respect to the provisions of Section 143 of the Internal Revenue Code in an application for the loan secured by this Security Instrument.

References are to the Internal Revenue Code as amended and in effect on the date of the issuance of bonds, the proceeds of which were used to finance the loan evidenced by said Note of even date, and are deemed to include the implementing regulations.

BY SIGNING BELOW, Borrower accepts and agrees to the terms and covenants contained in this Tax-Exempt Financing Rider.

____ (Seal)
-Borrower

____ (Seal)
-Borrower

OMB Approval No. 2502-0265

A. Settlement Statement (HUD-1)

B. Type of Loan

1. ☐ FHA 2. ☐ RHS 3. ☐ Conv. Unins. 4. ☐ VA 5. ☐ Conv. Ins.	6. File Number:	7. Loan Number:	8. Mortgage Insurance Case Number:

C. Note: This form is furnished to give you a statement of actual settlement costs. Amounts paid to and by the settlement agent are shown. Items marked "(p.o.c.)" were paid outside the closing; they are shown here for informational purposes and are not included in the totals.

D. Name & Address of Borrower:	E. Name & Address of Seller:	F. Name & Address of Lender:
G. Property Location:	H. Settlement Agent:	I. Settlement Date:
	Place of Settlement:	

J. Summary of Borrower's Transaction		K. Summary of Seller's Transaction	
100. Gross Amount Due from Borrower		**400. Gross Amount Due to Seller**	
101. Contract sales price		401. Contract sales price	
102. Personal property		402. Personal property	
103. Settlement charges to borrower (line 1400)		403.	
104.		404.	
105.		405.	
Adjustment for items paid by seller in advance		**Adjustments for items paid by seller in advance**	
106. City/town taxes to		406. City/town taxes to	
107. County taxes to		407. County taxes to	
108. Assessments to		408. Assessments to	
109.		409.	
110.		410.	
111.		411.	
112.		412.	
120. Gross Amount Due from Borrower		**420. Gross Amount Due to Seller**	
200. Amounts Paid by or in Behalf of Borrower		**500. Reductions In Amount Due to Seller**	
201. Deposit or earnest money		501. Excess deposit (see instructions)	
202. Principal amount of new loan(s)		502. Settlement charges to seller (line 1400)	
203. Existing loan(s) taken subject to		503. Existing loan(s) taken subject to	
204.		504. Payoff of first mortgage loan	
205.		505. Payoff of second mortgage loan	
206.		506.	
207.		507.	
208.		508.	
209.		509.	
Adjustments for items unpaid by seller		**Adjustments for items unpaid by seller**	
210. City/town taxes to		510. City/town taxes to	
211. County taxes to		511. County taxes to	
212. Assessments to		512. Assessments to	
213.		513.	
214.		514.	
215.		515.	
216.		516.	
217.		517.	
218.		518.	
219.		519.	
220. Total Paid by/for Borrower		**520. Total Reduction Amount Due Seller**	
300. Cash at Settlement from/to Borrower		**600. Cash at Settlement to/from Seller**	
301. Gross amount due from borrower (line 120)		601. Gross amount due to seller (line 420)	
302. Less amounts paid by/for borrower (line 220)	( )	602. Less reductions in amount due seller (line 520)	( )
303. Cash ☐ **From** ☐ **To Borrower**		**603. Cash** ☐ **To** ☐ **From Seller**	

The Public Reporting Burden for this collection of information is estimated at 35 minutes per response for collecting, reviewing, and reporting the data. This agency may not collect this information, and you are not required to complete this form, unless it displays a currently valid OMB control number. No confidentiality is assured; this disclosure is mandatory. This is designed to provide the parties to a RESPA covered transaction with information during the settlement process.

L. Settlement Charges			
700. Total Real Estate Broker Fees		Paid From Borrower's Funds at Settlement	Paid From Seller's Funds at Settlement
Division of commission (line 700) as follows:			
701. $ to			
702. $ to			
703. Commission paid at settlement			
704.			
800. Items Payable in Connection with Loan			
801. Our origination charge $	(from GFE #1)		
802. Your credit or charge (points) for the specific interest rate chosen $	(from GFE #2)		
803. Your adjusted origination charges	(from GFE A)		
804. Appraisal fee to	(from GFE #3)		
805. Credit report to	(from GFE #3)		
806. Tax service to	(from GFE #3)		
807. Flood certification	(from GFE #3)		
808.			
900. Items Required by Lender to Be Paid in Advance			
901. Daily interest charges from to @ $ /day	(from GFE #10)		
902. Mortgage insurance premium for months to	(from GFE #3)		
903. Homeowner's insurance for years to	(from GFE #11)		
904.			
1000. Reserves Deposited with Lender			
1001. Initial deposit for your escrow account	(from GFE #9)		
1002. Homeowner's insurance months @ $ per month $			
1003. Mortgage insurance months @ $ per month $			
1004. Property taxes months @ $ per month $			
1005. months @ $ per month $			
1006. months @ $ per month $			
1007. Aggregate Adjustment –$			
1100. Title Charges			
1101. Title services and lender's title insurance	(from GFE #4)		
1102. Settlement or closing fee $			
1103. Owner's title insurance	(from GFE #5)		
1104. Lender's title insurance $			
1105. Lender's title policy limit $			
1106. Owner's title policy limit $			
1107. Agent's portion of the total title insurance premium $			
1108. Underwriter's portion of the total title insurance premium $			
1200. Government Recording and Transfer Charges			
1201. Government recording charges	(from GFE #7)		
1202. Deed $ Mortgage $ Releases $			
1203. Transfer taxes	(from GFE #8)		
1204. City/County tax/stamps Deed $ Mortgage $			
1205. State tax/stamps Deed $ Mortgage $			
1206.			
1300. Additional Settlement Charges			
1301. Required services that you can shop for	(from GFE #6)		
1302. $			
1303. $			
1304.			
1305.			
1400. Total Settlement Charges (enter on lines 103, Section J and 502, Section K)			

Comparison of Good Faith Estimate (GFE) and HUD-1 Charges		Good Faith Estimate	HUD-1
Charges That Cannot Increase	**HUD-1 Line Number**		
Our origination charge	# 801		
Your credit or charge (points) for the specific interest rate chosen	# 802		
Your adjusted origination charges	# 803		
Transfer taxes	#1203		

Charges That in Total Cannot Increase More Than 10%		Good Faith Estimate	HUD-1
Government recording charges	# 1201		
	#		
	#		
	#		
	#		
	#		
	#		
	#		
	Total		
	Increase between GFE and HUD-1 Charges	$ or %	

Charges That Can Change		Good Faith Estimate	HUD-1
Initial deposit for your escrow account	#1001		
Daily interest charges	# 901 $ /day		
Homeowner's insurance	# 903		
	#		
	#		
	#		

Loan Terms

Your initial loan amount is	$
Your loan term is	years
Your initial interest rate is	%
Your initial monthly amount owed for principal, interest, and and any mortgage insurance is	$ includes ☐ Principal ☐ Interest ☐ Mortgage Insurance
Can your interest rate rise?	☐ No. ☐ Yes, it can rise to a maximum of %. The first change will be on and can change again every after . Every change date, your interest rate can increase or decrease by %. Over the life of the loan, your interest rate is guaranteed to never be **lower** than % or **higher** than %.
Even if you make payments on time, can your loan balance rise?	☐ No. ☐ Yes, it can rise to a maximum of $.
Even if you make payments on time, can your monthly amount owed for principal, interest, and mortgage insurance rise?	☐ No. ☐ Yes, the first increase can be on and the monthly amount owed can rise to $. The maximum it can ever rise to is $.
Does your loan have a prepayment penalty?	☐ No. ☐ Yes, your maximum prepayment penalty is $.
Does your loan have a balloon payment?	☐ No. ☐ Yes, you have a balloon payment of $ due in years on .
Total monthly amount owed including escrow account payments	☐ You do not have a monthly escrow payment for items, such as property taxes and homeowner's insurance. You must pay these items directly yourself. ☐ You have an additional monthly escrow payment of $ that results in a total initial monthly amount owed of $. This includes principal, interest, any mortgage insurance and any items checked below: ☐ Property taxes ☐ Homeowner's insurance ☐ Flood insurance ☐ ☐ ☐

Note: If you have any questions about the Settlement Charges and Loan Terms listed on this form, please contact your lender.

Life as a Homeowner

8

Finally, you're a homeowner. You've signed all the papers, closed on your loan and moved into your new house. You now have a place to call your own, and an asset that can potentially grow in value. But along with the benefits of homeownership come new responsibilities and obligations.

In this chapter, we'll discuss the importance of financial stability and sound money management to help ensure you keep your home and avoid the pitfalls that could lead to foreclosure. We'll also cover maintenance of your new home and things to be aware of when you move into a new neighborhood.

Keep Good Financial Habits

As you prepared for homeownership, you developed a Spending and Savings Plan and managed your credit. Now that you're a homeowner, these disciplines are even more important. Staying financially fit will enable you to make your monthly mortgage payments on time, and continue to meet your other financial obligations. Pay special attention to your:

- **Record Keeping.** If you haven't already done so, set up a filing system just for your financial obligations. Use it to keep track of your original loan documents, monthly financial obligations and home improvements. This process will help you stay organized throughout the year and will be especially useful when you're preparing to file your taxes.
- **Spending Plan.** Remember that Spending Plan you prepared before you purchased your home? It's time to update it. Make sure your new Spending Plan includes the additional expenses you have as a homeowner, including your mortgage payment, utilities and home maintenance costs. Continue to update your Spending Plan each month. You'll find as a homeowner your expenses will vary from month to month, and it may be necessary to make adjustments to your spending habits. Each purchase you make should be a thoughtful decision. Remember, every financial decision you make impacts your overall Spending Plan.
- **Savings Plan.** As a homeowner, it's especially important to have a savings plan for long-term expenses and emergencies. Start by considering all the items you need to save for during the year. Don't be caught off guard. For example, we all may face car repairs and maintenance each year. You may want to sit down with your family and plan ahead for your annual expenses. Working together will help you determine how much to set aside each month. A good rule of thumb is to save 1 percent each year for home maintenance. For example, if you purchased a $200,000 home, you should save $2,000 annually, or $167 per month, for home maintenance.

Tip

Home maintenance and home improvements are not the same thing. We'll discuss the differences later in this chapter.

- **Maintain Your Credit.** In order to qualify for your home loan, you had to pay off debt and maintain a good credit record. Be careful not to let your debt creep back up — it's far too easy to accumulate more debt than you can afford. If you do need to borrow money or obtain credit, shop around for the best loan or credit terms, and avoid charging major purchases that carry a high interest rate. Better yet, save up for major purchases such as furniture or appliances, and pay for them with cash! Remember, nearly everything you buy on credit has to be paid back with interest.

Foreclosure Prevention

The steps above should help you keep up with your monthly financial obligations, including making your monthly mortgage payments on time. Remember, all mortgage payments are due on the first of each month, and making your payment on time every month is crucial to your financial stability.

Even if there's a grace period before you're charged a late fee, your mortgage is considered late when it is paid after the first of the month.

If your family faces a financial difficulty or hardship beyond your control that prevents you from making your mortgage payments, do not avoid the situation. Act quickly! In the state of Virginia, the ***foreclosure*** process moves very fast.

Foreclosure is the legal process by which a property is sold to satisfy the debt. The foreclosure process can be initiated when a homeowner stops making mortgage payments, tax payments, homeowners' association dues or payments on other liens on the property.

Foreclosure can be devastating — financially as well as emotionally. If your house is foreclosed on, you will be required to move out. To make matters worse, if your property was worth less than the total amount you owed on the mortgage, then your lender, the mortgage insurer or guarantor could pursue a ***deficiency judgment*** against you. You would not only lose your home, but there would be an additional debt you would owe. Foreclosure or a deficiency judgment can also seriously affect your ability to qualify for credit in the future.

If You Face a Financial Hardship …

1. **Call your lender immediately.** If you are unable to make your payments, call and clearly explain your situation. Be prepared to provide financial information and to discuss your circumstances. This information is necessary for your lender to consider any alternatives to foreclosure and determine the best solution for you.

2. **Talk to a reputable housing counselor.** If you are encountering financial difficulties beyond your control that make it difficult to pay your mortgage — such as a layoff, reduction in income, death or illness in the family, or divorce — you should consider seeking financial counseling. HUD-approved housing counseling agencies are valuable resources, and they frequently have information on services and programs offered by government agencies as well as private and community organizations. The housing counseling agency also may offer credit counseling. These services are usually free of charge. For the housing counseling agency nearest you, call toll free, 800-569-4287 or TDD 800-877-8339.

3. **Do not ignore letters and phone calls.** If you have not made your mortgage payment, your lender will contact you by phone or mail. It is extremely important to cooperate and respond to their efforts to contact you.

4. **Stay in your home.** If you abandon your property, you may not qualify for assistance. However, if your health, safety or welfare is threatened, your lender will understand that staying in your home may not be possible.

If you choose not to contact your lender and do not respond to their calls or letters, they will have no other alternative but to foreclose on your home.

Alternatives to Foreclosure

Below is a list of possible alternatives to foreclosure. To qualify for any of the options, you must meet certain eligibility criteria to be determined by your lender.

- **Reinstatement (cure).** The easiest way to cure a delinquency is to pay everything that is owed. This would include missed payments, any late fees, and any other fees your lender incurred as a result of your delinquency.
- **Repayment plan (special forbearance).** Your lender may be able to arrange a repayment plan based on your financial situation, which could even provide a temporary reduction or suspension of your payments. You might qualify for this option if you have recently experienced an involuntary reduction in income or an increase in living expenses. If so, you would be required to provide information on how you would meet the requirements of a new payment plan.
- **Mortgage modification.** Your lender may be able to modify your mortgage loan. A modification includes changes to the interest rate and the loan terms. You may qualify if you have recovered from a financial hardship but your net income is less than it was before the default.
- **Partial claim.** This option is only available to homeowners with an FHA mortgage. Your lender may be able to work with you to obtain an interest-free loan from HUD to bring your mortgage payments up to date.
- **Pre-foreclosure sale.** This will allow you to sell your property, for less than the total due, to pay off your mortgage to avoid foreclosure.
- **Deed-in-lieu of foreclosure.** As a last resort, you may be able to voluntarily “give back” your property to your lender. This won’t save your house, but it will help your chances of getting another mortgage loan in the future.

Do not be afraid to contact your lender. The only way to know if you can qualify for one of these alternatives is to call. They cannot help you if they don’t know why you missed a payment.

Watch Out for Scam Artists

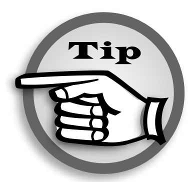
After your mortgage loan has closed, you will probably receive multiple solicitations by phone and mail for debt consolidation services, credit cards and second mortgages for home improvements or other projects. Be extremely careful with these solicitations.

For any line of credit or home improvement loan offers you consider, take a look at the total cost of financing by evaluating the interest and terms. If the loan is secured by your property, it means the lender/creditor can foreclose on your home if you miss any payments.

It's a good idea to consult a reputable housing counselor to discuss your options before agreeing to any of these offers. To find a counselor in your area, call toll free, 800-569-4287 or TDD 800-877-8339.

Predatory lending comes in many forms. It can occur when a lender loans money to someone with insufficient income to repay it or finances the highest amount possible without regard to the borrower's ability to repay. Predatory lending happens when lenders hide or inadequately explain fees, costs or rates, or when they charge excessive fees or pack extras into loans such as credit life or disability insurance. Some predatory lenders resort to falsifying information on the loan application or inflating real estate appraisals just to get a loan approved.

For more about predatory lenders and how to protect yourself, see Chapter 5, "Virginia Fair Housing Law."



Home Maintenance

Now that you're a homeowner, you are responsible for all those things that were handled by your landlord or maintenance staff in the past. Remember, keeping your home in good condition will make it more valuable if you should ever decide to sell it in the future. Routine maintenance and repairs will also help to save on the cost of major repairs in the future.

It's important to understand the difference between home maintenance and home improvement:

- **Home maintenance** is the routine work necessary to keep your home in good working order. It may include small projects — such as caulking the windows to reduce air leaks — or larger, more expensive items, such as replacing a roof. Home maintenance is not optional; it's necessary, and you should plan for it in your savings plan, as discussed earlier in this chapter.

- **Home improvements** are enhancements that might not be necessary, but that would make your home more enjoyable or valuable. Home improvements may include additions to your house or changes to the structure of a room. When thinking about home improvements, you should consider building codes, the total cost of the improvement and how it may impact the resale value of your home. Unlike home maintenance, home improvements are usually optional.

Alert

If you're considering a home maintenance or home improvement project, always get three estimates in writing before authorizing any work. If you have trouble with the workmanship or feel you have been taken advantage of, contact the Better Business Bureau for assistance at www.bbb.org.

Get to Know Your Home

In order to care for your home properly, you must know as much about its systems as possible. If you had a whole-house inspection done before buying, the inspector probably pointed out many potential maintenance items.

Make sure you know where to find the following:

- Fuse or circuit breaker box and main electrical switches.
- Main cut-off valves for water and gas.
- Thermostat for hot water heater.
- Warranties and owner's manuals for appliances.
- Instructions for use of all appliances and systems. (Do not use any appliance if you do not know how to operate it; you may void the warranty if it's used improperly.)
- Contact information for contractors or subcontractors who may have installed systems or provided recent repairs (electricians, plumbers).

Protecting Your Home from Termites

It's important to keep up with your termite inspections. Many pest control companies offer one-year policies for $50 - $100 that will guarantee your home stays termite-free. If you have this coverage, any problems that may arise will be handled under the terms of your policy — and when you sell your home, you won't have any surprises in the form of extensive termite work!

Be Prepared

Earlier in this chapter, we discussed the importance of good record-keeping to help you organize your warranties, manuals, contractor names, and maintenance agreements. You should also be prepared to handle some basic maintenance tasks yourself. Be sure to keep the following items handy:

- Fire extinguisher
- Flashlight
- Hammer
- Pliers
- Adjustable wrench
- Saw
- Screws
- Nails
- Screwdrivers — straight-edge and Phillips
- Plunger
- Basic home maintenance book

At the end of this chapter, you'll find a "Home Maintenance Checklist." Use it as a reminder to ensure that all home maintenance tasks are completed during the proper season of the year.

Make Your Home Energy Efficient

Home maintenance also includes making your home energy efficient. The Virginia Cooperative Extension provides a variety of energy savings tips through their "Energy Series." Information is available on caulking, weather stripping, insulation, moisture control, air conditioning and many other topics that can save energy as well as money. Visit their website at www.ext.vt.edu.

For more ideas on saving energy, see "Other Ways to Save on Energy" on page 64.

Get to Know Your Community

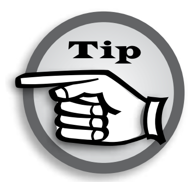
As a homeowner, you now have a vested interest in your community. Become familiar with the resources and services provided in your area. It's important, for your family's health and safety, and to help you maintain your investment in your home.

Make sure you are familiar with city and county services, including:

- Police
- Fire station
- Medical center, hospitals, local physicians
- Emergency facilities
- Trash pickup
- Voter registration site
- DMV branch

You should also make sure you understand your city or county codes and any regulations concerning occupancy, lawn care and parking.

If you live in a Planned Development or pay homeowners' association dues, make sure you fully understand your responsibilities, such as specific requirements about your home's exterior appearance or restrictions on noisy activities.



Homeownership is a Long-term Commitment

As you can see, homeownership comes with a lot of new responsibilities. As a homeowner, you'll need to continually monitor your Spending and Savings Plans and manage your credit wisely. You'll also need to plan for, and pay for, maintenance of your home's systems, structure and appearance.

A house may be the biggest purchase you'll ever make, and taking good care of your investment is essential. By taking this class and working through this manual, you've taken an important step to prepare for the many responsibilities — as well as the many joys — of being a homeowner.

Forms Discussed in this Chapter

- Home Maintenance Checklist

Home Maintenance Checklist

Monthly

- ❑ Air filters
- ❑ GFCI (ground fault circuit interrupters)
- ❑ Smoke detectors
- ❑ Carbon monoxide detectors
- ❑ Fungus
- ❑ Power wash
- ❑ Missing, cracked, broken shingles

Quarterly (Interior)

- ❑ Attic
- ❑ Washing machine hose
- ❑ Bathroom/kitchen leaks

Quarterly (Exterior)

- ❑ Ground (standing water)
- ❑ Water pipes (leaks)

Annual

- ❑ Crawlspaces
- ❑ Exterior siding, doors, & windows

(See other side for Seasonal Upkeep Checklist)

Seasonal Upkeep - Spring

- ❑ Clean gutters
- ❑ Caulk windows, door trim, siding
- ❑ Touch up painting
- ❑ Repair sidewalks, driveways, patios
- ❑ Have chimney checked
- ❑ Check & seal any masonry (brick) cracks
- ❑ Check for damaged shingles due to storms, wind and tree branches
- ❑ Open foundation vents if house is on crawlspace
- ❑ Check air conditioning before hot weather

Seasonal Upkeep - Fall

- ❑ Clean gutters (again)
- ❑ Check water heater
- ❑ Flush tank
- ❑ Check heating system
- ❑ Follow preventive maintenance suggestions included in manual
- ❑ Check and replace weather stripping
- ❑ Energy saver
- ❑ Disconnect hose from exterior of building and drain before winter
- ❑ Trim away tree limbs and shrubbery close to the house that may cause damage or major obstruction

Glossary of Mortgage Terms

9

Chapter

Glossary of Mortgage Terms

A

Abstract (or search) of title: A brief history of the legal ownership of a piece of property.

Acceleration clause: A clause in a deed of trust or mortgage which accelerates the time when the debt becomes due; for example, most deeds of trust or mortgages contain a provision that the note shall become due immediately upon the sale or transfer of title of land or upon failure to pay an installment of principal or interest.

Amortization: Repayment of mortgage debt with equal periodic payments of both principal and interest, calculated to retire the obligation at the end of a fixed period of time.

Annual mortgage statement: Report to the mortgagor of taxes and interest paid during the year and remaining principal balance.

Annual percentage rate (APR): The finance charge, expressed as an annual rate, that is paid on a loan.

Applicant: One who applies for a real estate loan (the prospective mortgagor).

Application: A form used to record pertinent information concerning a prospective mortgagor (the borrower). This form is used for evaluating the applicant in terms of his or her credit standing and history, earning potential, ability to pay the real estate loan, and description of the property to be pledged as security.

Appraisal: A formal written estimate of the current market value of a home. It also refers to the process by which a value estimate is obtained.

B

Borrower: One who receives funds in the form of a loan with the obligation of repaying the loan in full with interest.

Broker: Owns the real estate agency and is ultimately responsible for all transactions.

Buyer-broker agreement: An exclusive agreement that outlines the duties and obligations of both parties, including agency relationships, fees including commissions, date of termination, and scope of duty.

C

Cancellation clause: A clause in a contract or lease whereby either one of the parties is permitted to terminate the contract or lease upon the occurrence of specific conditions set forth in the clause. For example, if the buyers are not certain whether they can secure a mortgage, they would insist on this clause to protect themselves in the event a mortgage is not secured.

Certificate of title: A document stating the name of the legal owner of a house, which often furnishes a legal description of the property.

Certified Housing Counselor: A trained professional who educates consumers about buying, financing, maintaining and protecting their home.

Closing: The delivery of a deed, financial adjustments, the signing of notes and the disbursement of funds necessary to consummate a sale or loan transaction.

Closing costs: Fees paid to effect the closing of a mortgage, such as origination fee, discount points, title insurance fees, survey fees and attorney's fees.

Collected funds: The financial instruments, such as a check or wire transfer, offered at time of settlement that is as good as cash.

Commission: The percentage of a home's sales price that is paid to the seller broker at loan closing.

Comparative Market Analysis: A report that provides data on recently-sold properties in the surrounding area that are similar in size, features construction, etc., to the property you're considering.

Contingencies: Conditional events that must happen before the loan can be closed.

Contract: An agreement between two parties to do or not do certain things for a legal consideration. To be enforceable, contracts must be in writing and must include: a consideration (price and terms), a valid description, place and date of delivery, and all terms and clauses that were agreed upon.

Conventional financing: Mortgage financing that is not insured or guaranteed by a government agency, such as HUD/FHA, VA or RHS.

Credit report: A report to a prospective lender on the credit standing of a prospective borrower, used to aid in the determination of creditworthiness.

Credit Score: The number from 300 to 850 that represents the risk of lending money to you.

D

Debt-to-income ratio: The ratio, expressed as a percentage, which results when a borrower's monthly payment obligation on long-term debts is divided by his or her gross monthly income.

Deed: A legal document that conveys title from the seller to the buyer, is recorded in the local circuit clerk's office and is prepared by the seller's attorney or settlement agent.

Deed of Trust: A type of security instrument in which the borrower conveys title to real property to a third party (trustee) to be held in trust as security for the lender with the condition that the trustee shall reconvey the title upon the payment of the debt and, conversely, will sell the land and pay the debt in the event of a default by the borrower.

Deed of Trust Note: A lien against your house held by the lender that secures payment of the note, and spells out what happens should the terms of the note not be met.

Deficiency judgment: A lien against your home from a creditor that can be turned into a foreclosure.

Delinquency: Failure of a borrower to make timely payments under a loan agreement.

Discount points: The upfront interest paid as part of closing costs. One point is equal to 1 percent of the loan amount.

Down payment: The difference between the sales price of real estate and the mortgage amount.

E

Earnest money deposit: The deposit money given to the sellers by the buyers to show that they are serious about buying the house. This money is applied to the down payment if the contract is accepted.

Energy Efficient Mortgage (EEM): A "green" mortgage that gives you the opportunity to finance cost-effective, energy-saving improvements as part of a single mortgage, and stretch debt-to-income qualifying ratios on your loan.

Escrow: A trust account held by the lender or servicer in the borrower's name to pay the real estate taxes and homeowner's/hazard insurance.

Equity: The difference between the value of a home and the amount still owed on the mortgage.

F

Federal Housing Administration (FHA): A federal agency within the Department of Housing and Urban Development that provides mortgage insurance for residential mortgages and sets standards for construction and underwriting.

Fixed-interest loan: A type of loan in which the interest rate remains the same for the life of the loan.

Foreclosure: A legal procedure in which a mortgaged property is sold to pay the outstanding debt in case of default.

Fraud alert: Placed on your profile by credit reporting agencies — at your request — to make it more difficult for someone else to get credit in your name, because it tells creditors to follow certain procedures to protect you.

G

Good Faith Estimate: An estimate of the closing costs given to the borrower before the closing.

Gross monthly income: The total amount the borrower earns per month before any expenses are deducted.

H

Homeowners insurance: A policy insuring against multiple perils, commonly called a package policy, and made available to owners of private dwellings. There are wide variations in the coverage of such policies, which generally insure the dwelling and its contents.

Homeowner's warranty: A warranty that can include appliances, heating and cooling systems, electrical and plumbing systems, etc., and provides repairs or replacement of warranted items that malfunction during the coverage period.

J

Joint tenancy: The ownership of real estate for life by two or more persons, each having an undivided interest. If one party dies, the survivors automatically receive his or her interest in the property.

L

Lender, or loan originator: The person responsible for collecting all your financial information and making sure your loan application is ready for review.

Loan processor: Handles the processing of the loan, and is responsible for getting together all the necessary documentation for the files, such as ordering the appraisal, and making sure all steps are followed.

M

Market value: The highest price that a buyer and the lowest price that a seller will accept, neither one being compelled to buy or sell.

Maturity date: The date on which a mortgage indebtedness is completed if paid in accordance with the terms of the note.

Mortgage: A lien against a borrower's house held by the lender. It secures payment of the note, and spells out what happens should the terms of the note not be met. Specifically, it allows the lender to accelerate the debt and foreclose on the property in the event of default. (See also **Deed of Trust**.)

Mortgage discount points: Points are a one-time charge made by a lending institution. A point is equal to 1 percent of the loan amount.

Mortgage insurance: A policy that allows mortgage lenders to recover part of their financial losses if a borrower defaults on a loan.

Mortgage Insurance Premium (MIP): An upfront premium of 1 percent of the loan amount, in addition to the monthly premium. MIP can be financed into the loan.

Multiple Listing Service (MLS): A computer database of properties available for sale.

N

Non-public information: An individual's first name or first initial and last name linked with additional personal elements that include, but are not limited to: (1) Social Security number; (2) driver's license number or state ID card number; or (3) account number or credit or debit card number, in combination with any access code or password that would permit access to an individual's financial account.

Note: The borrower's promise to pay. The note spells out terms including loan amount, date on which payments must be made, interest rate, term, late payment penalties, prepayment and default procedures.

O

Origination fee: The lender's fee charged to a borrower to prepare documents, make credit checks, inspect and sometimes appraise a property. Usually this is equal to 1 percent of the loan amount.

Owner's Title Insurance: A policy, usually issued by a title insurance company, to protect the homeowner by ensuring that the property being purchased is free from all defects, liens and encumbrances.

P

Per diem interest: Daily interest adjustment calculated from the date your loan closes to the end of that month.

PITI: Principal, interest, taxes and insurance. Also called monthly housing expense.

Pre-approval: Comes from your lender and is determined after a review of your income, employment and other relevant information. It's also a great negotiating tool when submitting an offer on a house.

Pre-approved loan amount: The amount of money a lender has approved, based on verification of income, to loan you to buy a house.

Predatory lending: Unfair or deceptive practices, such as balloon payments and loan flipping, that negatively impact the borrower.

Prepaid expenses: The initial deposit at the time of closing for taxes and hazard insurance and the subsequent monthly deposits made to the lender for that purpose.

Prepayment: The buyer may be permitted to pay off the mortgage before maturity without penalty. At times, buyers may decide to refinance at a lower rate or to fully pay the mortgage before it is due.

Pre-qualification: An estimate of your purchasing power based on a verbal statement of your income and debt level.

Principal: The original balance of money lent, excluding interest. Also, the remaining balance of a loan, excluding interest.

Private mortgage insurance (PMI): Insurance written by a private company protecting the mortgage lender against financial loss occasioned by a borrower defaulting on the mortgage.

R

Rate lock: Also known as "locking in," guarantees a specific interest rate for a certain period of time.

Ratified contract: When a purchase offer is signed by both the buyer and the seller and becomes a legally binding agreement.

Real Estate Settlement Procedures Act (RESPA): A federal statute and regulation published by HUD governing real estate lending practices and disclosures. Its main features pertain to the provision of a good faith estimate of loan settlement costs and the provision of the HUD settlement booklet within three days of making loan application.

REALTOR®: A person licensed to sell and/or lease real property, acting as an agent for others, and who is a member of a local real estate board affiliated with the National Association of Realtors®. Realtor® is a registered trademark of the NAR.

Rural development loans: Mortgage loans that require a Guarantee Fee of 3.5 percent of the loan amount. This fee can be financed.

S

Sales contract: A written agreement between the buyer and the seller stating the terms and conditions of a sale or exchange of property.

Secured credit: A loan that is backed by collateral to guarantee loan repayment.

Seller disclosure: A legally-required form in which the seller must disclose any known defects of the home.

Settlement: The closing of a mortgage loan.

Settlement Statement (HUD-1): A document that itemizes all the costs related to the homebuying transaction.

Survey: A measurement of land, prepared by a registered land surveyor, showing the location of the land with reference to known points, its dimensions, and the location and dimensions of any improvements.

Title: Written evidence of the right to or ownership in property. In the case of real estate, the documentary evidence of ownership is the title deed that specifies in whom the legal estate is vested and the history of ownership and transfers. Title may be acquired through purchase, inheritance, gift or foreclosure of a mortgage.

T

Title insurance: A policy, usually issued by a title insurance company, which insures a homebuyer against errors in the title search. The cost of the policy is usually a function of the value of the property and is often borne by the purchaser and/or seller.

Title search: An examination of public records, laws and court decisions to ensure that no one except the seller has a valid claim to the property, and to disclose past and current facts regarding ownership of the property.

Truth-In-Lending Act: A federal law requiring disclosure of the annual percentage rate to homebuyers shortly after they apply for the loan.

Truth-In-Lending Disclosure: Requires lenders, such as banks, to disclose the "cost" of borrowing in some standardized way, as a form of consumer protection.

U

Underwriter: The person who reviews all the documentation in a loan application and gives the final loan approval.

Underwriting: The decision whether to make a loan to a potential homebuyer based on credit, employment, assets and other factors, and the matching of this risk to an appropriate rate and term or loan amount.

Unsecured credit: A loan that is not backed by collateral.

U.S.D.A. Rural Development: This agency provides financing to farmers and other qualified borrowers who are unable to obtain loans elsewhere.

V

VA loan: A long-term, low- or no-down payment loan guaranteed by the Department of Veterans Affairs. Restricted to individuals qualified by military service or other entitlement.

Verification of Deposit: A form that requests and secures verifications of amounts on deposit at financial institutions. When a depository institution is also the applicant's creditor, the VOD verifies the obligation.

Verification of Employment: A form that requests and secures documentation of a mortgage applicant's work history and/or occupation to assist in the lender's credit investigation.

Virginia Housing Development Authority
601 South Belvidere Street
Richmond, Virginia 23220

VHDA Main Number	877-VHDA-123
Southwest Virginia Office	800-447-5145
Español	877-843-2123
Virginia Relay Partner	711 (in Virginia) 800-828-1140
Website	vhda.com

VHDA is a self-supporting, not-for-profit organization created by the Commonwealth of Virginia in 1972, to help Virginians attain quality, affordable housing. VHDA provides mortgages, primarily for first-time homebuyers and developers of quality rental housing. We use no state taxpayer dollars, but raise money in the capital markets to fund our loans. We also teach free homeownership classes, and help people with disabilities and the elderly make their homes more livable. VHDA works with lenders, developers, local governments, community service organizations and others to help put quality housing within the reach of every Virginian.

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